



# **Executive Summary**

## **of Investment Performance**

**Prepared for:**  
**California Public Employees' Retirement System**

**California Affiliate**

- **Judges II**
- **Long Term Care**
- **Volunteer Firefighters**

**California Legislators' Fund**

**Annuitants Healthcare Plan**

**California Supplemental Income Plans**

First Quarter 2008

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## Capital Market Overview

The first quarter of 2008 was, as the cliché says, one for the books. Global stock markets experienced volatilities not seen since the depths of the tech-stock bust of 2002, while the bond markets experienced more of the turmoil and liquidity crises that rocked investors in the latter half of 2007. As real evidence of an economic slowdown in the US amassed, economists and pundits began voicing fears of an actual recession with more conviction; notable among many bad signs, the real estate downturn of 2007 accelerated into 2008 with no end in sight, the Commerce Department pegged real GDP growth at a weak 0.6% in the fourth quarter of 2007, and the economy shed an estimated 85,000 jobs in the first two months of 2008. The US Dollar continued its downward spiral, ending the quarter at ¥99.691/\$1.00 USD and €0.633/\$1.00 USD. Crude oil futures prices took off during the quarter, reaching an all-time high over \$110 per barrel before settling at quarter-end at \$101.58 per barrel. Consumer-level inflation, as measured by the Consumer Price Index (All Urban Consumers), rose 1.66% during the quarter, with increases in food and fuel prices overwhelming a notable drop in clothing prices. The Federal Reserve took unprecedented actions during the quarter in response to the US economic downturn. As banks experienced another lock-up in the liquidity required to fund day-to-day lending operations, the Fed on March 7 offered new lines of liquidity, as well as allowing banks to use CDOs as collateral; they offered similar aid to primary dealers on March 11. In efforts to ameliorate the economic slowdown, the Fed also lowered its Federal Funds overnight rate in three separate occasions to 2.25% at quarter-end, its lowest rate since February 1, 2005. And, most notably, the Fed stepped in on March 14 to broker a cash buyout by JPMorgan Chase to rescue beleaguered investment bank Bear Stearns, whose cash flow deteriorated significantly due in large part to the meltdown of its sub-prime loan-based instruments. Given the challenging terrain of the capital markets, global investors flew to safety wherever possible, driving stocks sharply lower and widening yield spreads for corporate debt.

### U.S. Equity Market

The US stock market afforded few opportunities for higher returns in the first quarter. Indeed, the Standard & Poor's 500 Index's -9.46% return was its worst quarterly performance since 2002. The broader Dow Jones Wilshire 5000's -9.52% return was marginally worse; unsurprisingly given volatile markets, large stocks (DJW Large Cap, -9.44%) outperformed smaller stocks in general (DJW US Small Cap, -9.65%; DJW Micro Cap, -12.52%). Value-oriented stocks, especially those of smaller companies, trimmed their losses in comparison to growth-oriented stocks (DJW Large value, -8.93%, DJW Large Growth, -9.90%, DJW Small Value, -6.99%, DJW Small Growth, -12.02%). Turning to economic sectors of the S&P 500 (Wilshire classifications), it is interesting to note that only the Transportation sector exhibited positive performance (6.48% for the quarter); the next best sector, Capital Goods, yielded a -3.94% return. The Finance sector again took the worst hit in the S&P 500, returning -14.17%; Technology was not far behind, with a -13.68% return. Lost in all the grim news over the quarter was a major surprise: publicly-traded Real Estate securities, despite the well-documented ongoing crisis in residential real estate and the economic slowdown, enjoyed a modest rally in the first quarter (DJW Real Estate Securities, 2.12%).



### **Fixed Income Market**

The 200-b.p. drop in the Fed Funds overnight rate helped ease volatility in bond markets, no question; however, global market turmoil fed a broad flight to quality that really only clearly benefited the highest-quality, shorter-duration debt issuance. The US Treasury yield curve steepened dramatically over the quarter, with yields on two-year Treasuries falling 145 b.p. (to 1.62%) and yields on thirty-year Treasuries slipping only 17 b.p. (to 4.29%). Long-term Treasuries outperformed short-term Treasuries, but not dramatically (Lehman Long Treasury, 3.98%; Lehman 1-3 year Treasury, 3.07%). Corporate yield spreads to Treasuries widened considerably over the quarter, dampening the performance of credits relative to government and agency issuance and government-guaranteed mortgages (Lehman Credit, 0.44%; Lehman Government, 4.04%; Lehman Mortgage, 2.43%). Spreads especially widened in the below-investment-grade sector of the bond market, as investors moved to higher-quality paper (Lehman High Yield, -3.00%; Lehman Aggregate, 2.17%).

### **Non-U.S. Markets**

Although many analysts are predicting steady economic growth in offshore markets, the first quarter of 2008 saw worldwide losses in stock markets as investors faced the realities of the US economic slowdown and continued difficulties in global financial companies. The weak US Dollar served to improve performance for US-based investors; however, foreign producers of goods and services had to deal with Dollar-based consumers less willing to buy goods whose prices in US Dollars have been dramatically rising, which could prove to be a drag on future global earnings. For the quarter, developed Asia/Pacific markets underperformed developed European markets on a local-currency and US Dollar-converted basis (MSCI Pacific net, -17.10% local, -9.57% USD; MSCI Europe net, -13.94% local, -8.62% USD). As many emerging markets' economies are tied to commodities production and extraction, these markets' stocks managed to outperform developed market stocks in local currency terms (MSCI Emerging Markets net, -11.01% local; MSCI EAFE net, -14.95% local). However, given that many emerging markets' currencies are directly pegged to the US Dollar, developed market stocks outperformed emerging markets issues in US Dollar terms (MSCI Emerging Markets net, -10.99% USD; MSCI EAFE net, -8.91% USD). Global bond markets managed positive performance in US Dollar terms despite the same economic challenges; emerging-market debt underperformed higher-quality paper of developed global markets (Lehman Global Aggregate, 6.63% USD; JP Morgan Emerging Markets Bond Plus, 0.47% USD).



## Summary of Index Returns

For Periods Ended March 31, 2008

	<u>Quarter</u>	<u>One Year</u>	<u>Three Years</u>	<u>Five Years</u>	<u>Ten Years</u>
<b>Domestic Equity</b>					
Standard & Poor's 500	-9.46%	-5.06%	5.86%	11.33%	3.51%
Dow Jones Wilshire 5000	-9.52	-5.76	6.37	12.45	3.95
Dow Jones Wilshire 4500	-9.83	-8.69	7.66	16.18	5.42
Dow Jones Wilshire Large Cap	-9.44	-4.66	6.49	11.94	3.75
Dow Jones Wilshire Small Cap	-9.65	-11.30	6.38	16.55	6.25
Dow Jones Wilshire Micro Cap	-12.52	-21.23	0.47	14.92	8.20
<b>Domestic Equity</b>					
Dow Jones Wilshire Large Value	-8.93%	-8.10%	6.23%	13.31%	5.50%
Dow Jones Wilshire Large Growth	-9.90	-1.26	6.62	10.50	1.65
Dow Jones Wilshire Mid Value	-8.01	-13.67	4.96	13.10	7.68
Dow Jones Wilshire Mid Growth	-9.89	-4.62	9.31	17.89	4.42
Dow Jones Wilshire Small Value	-6.99	-13.40	5.58	15.72	8.13
Dow Jones Wilshire Small Growth	-12.02	-9.18	7.16	17.30	3.52
<b>International Equity</b>					
MSCI All World ex U.S.	-9.06%	2.58%	16.49%	24.04%	7.67%
MSCI EAFE	-8.91	-2.70	13.31	21.40	6.18
MSCI Europe	-8.62	0.18	14.86	22.94	6.58
MSCI Pacific	-9.57	-8.93	10.03	18.01	5.43
MSCI EMF Index	-10.92	21.65	29.64	35.95	12.53
<b>Domestic Fixed Income</b>					
Lehman Aggregate Bond	2.17%	7.67%	5.48%	4.58%	6.04%
Lehman Credit	0.44	3.99	4.28	4.43	5.94
Lehman Mortgage	2.43	7.82	5.79	4.80	5.99
Lehman Treasury	4.42	12.23	6.60	4.81	6.22
Citigroup High Yield Cash Pay	-2.67	-3.16	4.73	8.35	5.22
91-Day Treasury Bill	0.88	4.63	4.40	3.18	3.71
<b>International Fixed Income</b>					
Citigroup Non-U.S. Gov. Bond	10.93%	22.31%	7.40%	8.99%	7.36%
Citigroup World Gov. Bond	9.66	20.29	7.26	8.14	7.22
Citigroup Hedged Non-U.S. Gov.	2.14	6.15	4.87	4.30	5.63
<b>Currency*</b>					
Euro vs. \$	8.38%	19.04%	6.83%	7.75%	-.%
Yen vs. \$	12.24	18.63	2.43	3.56	2.97
Pound vs. \$	-0.16	1.33	1.70	4.69	1.73
<b>Real Estate</b>					
Dow Jones Wilshire REIT Index	2.14%	-18.83%	12.03%	18.47%	11.40%
Dow Jones Wilshire RESI	2.12	-18.93	11.61	18.90	11.10
NCREIF Property Index	1.26	13.20	16.62	14.99	12.59

\*Positive values indicate dollar depreciation.



## Summary Review of Plans

	<u>Market Value</u>	<u>Qtr</u>	<u>1 Year</u>	<u>3 Year</u>	<u>5 Year</u>	<u>10 Year</u>
<b>TOTAL FUND for PERF</b>	<b>\$240.9 bil</b>	<b>-4.4%</b>	<b>2.7%</b>	<b>10.3%</b>	<b>13.7%</b>	<b>7.0%</b>
<i>Total Fund Policy Index</i>		-4.2%	3.1%	9.8%	13.0%	6.4%
<i>Actuarial Rate</i>		1.9%	7.8%	7.8%	7.8%	8.0%
<i>TUCS Public Fund Median</i>		-5.0%	0.5%	7.7%	11.4%	6.1%
<i>Wilshire Large Fund Universe Median <sup>1</sup></i>		-5.2%	1.4%	8.6%	12.0%	6.3%
<b>Affiliate Fund</b>						
<b>Judges II</b>	<b>\$307.1 mil</b>	<b>-4.1%</b>	<b>-0.7%</b>	<b>8.1%</b>	<b>11.2%</b>	<b>5.6%</b>
<i>Weighted Policy Benchmark</i>		-4.0%	-0.9%	7.8%	10.9%	5.6%
<b>Long Term Care ("LTC")</b>	<b>\$2,294.3 mil</b>	<b>-3.9%</b>	<b>0.6%</b>	<b>7.7%</b>	<b>11.2%</b>	<b>5.5%</b>
<i>Weighted Policy Benchmark</i>		-3.6%	0.5%	7.2%	10.7%	5.5%
<b>Annuitants Health Care</b>	<b>\$213.6 mil</b>	<b>-4.5%</b>	<b>-.%</b>	<b>-.%</b>	<b>-.%</b>	<b>-.%</b>
<i>Weighted Policy Benchmark</i>		-5.4%	-.%	-.%	-.%	-.%
<i>TUCS Public Fund Median</i>		-5.0%	0.5%	7.7%	11.4%	6.1%
<b>Legislators' Fund</b>						
<b>LRS</b>	<b>\$137.0 mil</b>	<b>-2.7%</b>	<b>3.4%</b>	<b>6.9%</b>	<b>8.9%</b>	<b>6.0%</b>
<i>Weighted Policy Benchmark</i>		-2.2%	3.8%	6.8%	8.9%	6.4%
<i>TUCS Public Fund Median</i>		-5.0%	0.5%	7.7%	11.4%	6.1%
<b>Supplemental Income Plans</b>	<b>\$19.9 mil</b>	<b>-6.7%</b>	<b>-0.8%</b>	<b>7.6%</b>	<b>11.4%</b>	<b>-.%</b>
<i>Weighted Policy Benchmark</i>		-6.1%	-0.6%	7.3%	11.4%	-.%

<sup>1</sup> The Total Fund Policy Index return equals the return for each asset class benchmark weighted at the current target asset allocation.



## Total Fund Review PERF

### Periods Ended 3/31/2008

	Market Value \$240.9 bil	Five-Year Ratios								
		Qtr	1 Year	3 Year	5 Year	10 Year	VaR <sup>13</sup>	PAR <sup>14</sup>	Sharpe <sup>15</sup>	Info <sup>15</sup>
<b>TOTAL FUND</b>		<b>-4.4%</b>	<b>2.7%</b>	<b>10.3%</b>	<b>13.7%</b>	<b>7.0%</b>	<b>\$23.5 bil</b>	<b>0.4%</b>	<b>1.4</b>	<b>1.0</b>
Total Fund Policy Index <sup>2</sup>		-4.2%	3.1%	9.8%	13.0%	6.4%			1.4	0.0
Actuarial Rate		1.9%	7.8%	7.8%	7.8%	8.0%				
TUCS Public Fund Median		-5.0%	0.5%	7.7%	11.4%	6.1%				
Wilshire Large Fund Universe Median <sup>3</sup>		-5.2%	1.4%	8.6%	12.0%	6.3%				
<b>TOTAL GLOBAL EQUITY EX-AIM <sup>4</sup></b>	<b>125.8</b>	<b>-9.7%</b>	<b>-4.0%</b>	<b>9.3%</b>	<b>15.9%</b>	<b>5.6%</b>	<b>\$19.9 bil</b>	<b>0.3%</b>	<b>1.0</b>	<b>0.0</b>
Equity Policy Index <sup>5</sup>		-9.4%	-2.4%	9.7%	15.9%	5.1%			1.0	0.0
TUCS Equity Median <sup>6</sup>		-9.7%	-6.0%	6.1%	13.4%	5.6%				
<b>TOTAL FIXED INCOME <sup>7</sup></b>	<b>64.7</b>	<b>1.8%</b>	<b>8.3%</b>	<b>6.1%</b>	<b>6.7%</b>	<b>6.9%</b>	<b>\$3,148 mil</b>	<b>0.1%</b>	<b>0.7</b>	<b>1.0</b>
Fixed Income Policy Index <sup>8</sup>		2.7%	8.9%	5.7%	5.7%	6.6%			0.5	0.0
TUCS Fixed Income Median		1.5%	6.3%	5.4%	4.8%	6.1%				
<b>TOTAL REAL ESTATE <sup>9</sup></b>	<b>21.9</b>	<b>1.6%</b>	<b>6.7%</b>	<b>20.9%</b>	<b>19.7%</b>	<b>15.1%</b>	<b>\$4,222 mil</b>	<b>0.1%</b>	<b>2.5</b>	
NCREIF Property Index Lagged		3.2%	15.8%	17.5%	15.1%	12.9%			4.9	
TUCS Real Estate Median		1.1%	9.7%	15.1%	16.3%	12.7%				
<b>TOTAL AIM PROGRAM</b>	<b>23.1</b>	<b>5.3%</b>	<b>26.8%</b>	<b>25.0%</b>	<b>18.8%</b>	<b>12.9%</b>	<b>\$6,558 mil</b>	<b>0.1%</b>	<b>2.1</b>	
Policy Index <sup>10</sup>		4.5%	19.6%	18.9%	15.0%	5.3%			3.5	
<b>TOTAL INFLATION LINKED PROGRAM</b>	<b>3.4</b>	<b>7.0%</b>	<b>-.%</b>	<b>-.%</b>	<b>-.%</b>	<b>-.%</b>	<b>\$552 mil</b>			
Policy Index		2.6%	-.%	-.%	-.%	-.%				
<b>CASH EQUITIZATION PROGRAM <sup>11</sup></b>	<b>1.9</b>	<b>-3.5%</b>	<b>-2.7%</b>	<b>2.8%</b>	<b>2.3%</b>	<b>3.5%</b>				
Custom STIF <sup>12</sup>		0.9%	4.9%	4.6%	3.3%	3.8%				

<sup>2</sup> The Total Fund Policy Index return equals the return for each asset class benchmark weighted at the current target asset allocations.

<sup>3</sup> These returns represent preliminary numbers.

<sup>4</sup> Includes domestic equity, international equity, corporate governance, and MDP ventures.

<sup>5</sup> The Equity Policy Index return equals the benchmark returns for the domestic equity and international equity segments weighted at policy allocation target percentages.

<sup>6</sup> Includes domestic and international equity.

<sup>7</sup> The Total Fixed Income Composite does not include LM Capital. LM Capital has been mapped to the domestic equity composite, effective 1Q2005, per CalPERS' direction.

<sup>8</sup> The Fixed Income Policy Index return equals the benchmark returns for domestic and international fixed income components weighted at policy allocation target percentages.

<sup>9</sup> Real estate total returns are net of investment management fees and all expenses, including property level operations expenses netted from property income. This method differs from GASB 31, which requires all investment expenses be identified for inclusion in the System's general purpose financial statements.

<sup>10</sup> The AIM Policy Index consists of the Custom Young Fund Universe and is linked historically to its prior benchmark.

<sup>11</sup> Cash is equitized using equity index futures in proportion to the Total Equity Policy Weights.

<sup>12</sup> The Custom STIF Policy Index is a custom index maintained by SSgA.

<sup>13</sup> VAR (Value at Risk) measures how much the portfolio might decrease over a 12 month period in extreme cases. The VAR estimate shows how much the portfolio value might fall in the worst 5% of 12 month periods. VAR is calculated using total risk (standard deviation) and market value ((Expected Return - (1.65 X SD)) X MV).

<sup>14</sup> PAR (Performance at Risk) measures how much the portfolio might underperform its benchmark over a 12 month period in extreme cases. This PAR shows how much the portfolio might underperform in the worst 5% of 12 month periods. PAR is calculated using excess risk (tracking error) and market value (1.65 X TE X MV).

<sup>15</sup> The "Information Ratio" calculates the amount of excess performance earned per unit of excess risk, as measured by tracking error. Higher information ratios imply a greater return per unit of excess risk ventured. The Sharpe ratio or reward-to-variability ratio is a measure of the mean excess return per unit of risk in an investment strategy. The Sharpe ratio is used to characterize how well the return of an asset compensates the investor for the total risk taken. The 5-year period was selected to provide sufficient data points for a meaningful calculation, but is still short enough to reflect the changes to the investment programs over the last few years.



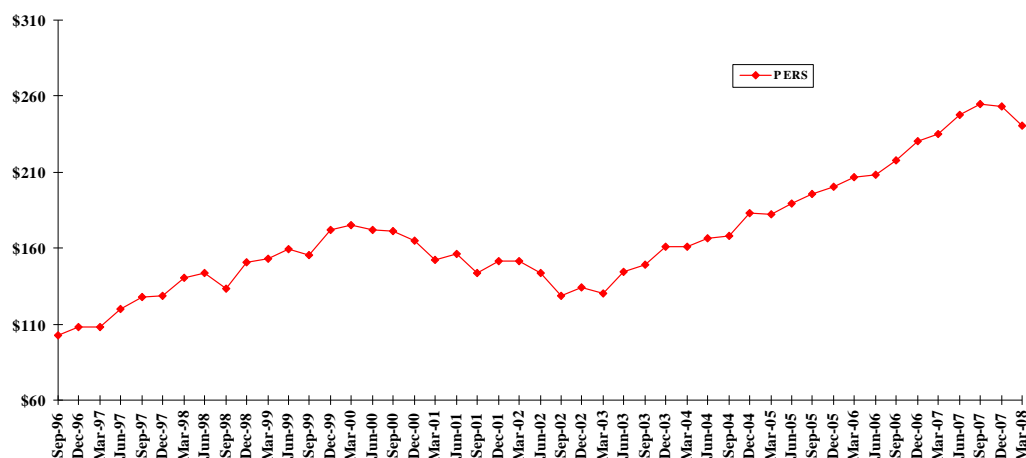
**Total Fund Review for PERF (continued)**  
Periods Ended 3/31/08

**Total Fund Flow**

<u>(\$Millions)</u>	<u>Beg. Mkt Value</u>	<u>Net Cash Flow</u>	<u>Invest. Mgmt Fees</u>	<u>Invest. Gain/Loss</u>	<u>End. Mkt Value</u>	<u>Total Return</u>
1Q08	253,014	(487)	(90)	(11,560)	240,877	(4.4)%

**Historical Growth of Assets**

	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>1Q07</u>	<u>2Q07</u>	<u>3Q07</u>	<u>4Q07</u>	<u>1Q08</u>
Market Value (\$bil)	164.6	151.7	134.1	161.0	182.8	200.6	230.3	234.8	247.7	254.6	253.0	240.9



**Asset Allocation**

**Asset Allocation: Actual versus Target Weights\***

<u>Asset Class</u>	<u>Actual Asset Allocation Quarter Ending</u>	<u>Target Asset Allocation</u>	<u>Difference Ending</u>
Equities	52.4%	56.0%	-3.6%
Fixed Income	26.7%	25.0%	1.7%
Real Estate	9.7%	9.0%	0.7%
ILAC	1.4%	1.0%	0.4%
AIM	9.0%	9.0%	0.0%
Cash Equivalents	0.8%	0.0%	0.8%

**CalPERS Historical Asset Allocation**

	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>1Q07</u>	<u>2Q07</u>	<u>3Q07</u>	<u>4Q07</u>	<u>1Q08</u>
% Equity	62	66	69	70	64	63	57	63	63	62	63	62	61	57	56	52
% AIM	-	-	-	-	-	-	5	5	5	5	6	6	6	8	8	9
% Fixed Income	31	28	26	24	29	27	28	24	24	25	23	23	24	26	27	27
% ILAC	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1	1
% Real Estate	6	5	4	5	6	9	9	7	6	5	8	8	8	8	8	10
% Cash	1	1	1	1	1	1	1	1	1	3	1	1	1	1	1	1

\* Target allocations were revised.





California Public Employees' Retirement System  
Total Fund Attribution  
Total Composite  
Quarter Ended 3/31/08

Composite	Allocation			Returns			Total Fund Return Contribution					
	Policy (%)	Actual (%)	Difference (%)	Policy (%)	Actual (%)	Difference (%)	Strategic Policy (%)	Actual Allocation (%)	Active Mgmt (%)	Activity (%)	Weighted Return (%)	
<b>Total Equity ex-AIM</b>	<b>56.0</b>	<b>55.5</b>	<b>-0.5</b>	<b>-9.4</b>	<b>-9.7</b>	<b>-0.3</b>	<b>-5.3</b>	<b>0.0</b>	<b>-0.1</b>	<b>0.0</b>	<b>-5.4</b>	
<b>U.S. Equity</b>	<b>36.1</b>	<b>32.5</b>	<b>-3.6</b>	<b>-9.7</b>	<b>-10.1</b>	<b>-0.4</b>	<b>-3.5</b>	<b>0.2</b>	<b>-0.1</b>	<b>0.2</b>	<b>-3.2</b>	
Internal Passive (including DCF)	25.9	22.8	-3.1	-9.7	-9.7	0.0	-2.5	0.2	0.0	0.1	-2.2	
Internal Enhanced	1.8	2.0	0.2	-9.7	-11.1	-1.4	-0.2	0.0	0.0	0.0	-0.2	
External Enhanced	3.8	2.8	-1.0	-9.7	-9.6	0.1	-0.4	0.1	0.0	0.0	-0.3	
Active	1.8	1.9	0.1	-9.7	-11.6	-1.9	-0.2	0.0	0.0	0.0	-0.2	
Corporate Governanace	1.8	1.0	-0.8	-8.5	-8.3	0.2	-0.2	0.0	0.0	0.0	-0.1	
Long/Short	0.0	1.2	1.2	-9.6	-10.4	-0.8	0.0	-0.1	0.0	-0.1	-0.1	
MDP	0.8	0.7	-0.1	-9.9	-10.7	-0.8	-0.1	0.0	0.0	0.0	-0.1	
<b>Non-U.S. Equity</b>	<b>18.1</b>	<b>20.3</b>	<b>2.2</b>	<b>-8.9</b>	<b>-9.7</b>	<b>-0.8</b>	<b>-1.6</b>	<b>-0.1</b>	<b>-0.2</b>	<b>-0.1</b>	<b>-2.0</b>	
Passive	8.7	10.1	1.4	-0.2	-10.6	-10.4	0.0	0.1	-1.1	-0.1	-1.1	
Enhanced	1.5	1.9	0.4	-8.7	-8.6	0.1	-0.1	0.0	0.0	0.0	-0.2	
Active	3.5	4.5	1.0	-8.9	-9.1	-0.2	-0.3	0.0	0.0	0.0	-0.4	
Emerging Markets	3.1	2.5	-0.6	-9.8	-8.7	1.1	-0.3	0.0	0.0	0.0	-0.2	
Corporate Governanace	0.9	1.1	0.2	-12.5	-10.0	2.5	-0.1	0.0	0.0	0.0	-0.1	
MDP	0.4	0.1	-0.3	-8.8	-7.3	1.5	0.0	0.0	0.0	0.0	0.0	
Currency Overlay	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
<b>RM ARS</b>	<b>1.8</b>	<b>2.8</b>	<b>1.0</b>	<b>3.4</b>	<b>-4.8</b>	<b>-8.2</b>	<b>0.1</b>	<b>0.1</b>	<b>-0.2</b>	<b>0.0</b>	<b>-0.1</b>	
<b>Total Fixed Income</b>	<b>25.0</b>	<b>26.8</b>	<b>1.8</b>	<b>2.7</b>	<b>1.8</b>	<b>-0.9</b>	<b>0.6</b>	<b>0.1</b>	<b>-0.2</b>	<b>0.1</b>	<b>0.5</b>	
<b>U.S. Fixed Income</b>	<b>23.0</b>	<b>23.9</b>	<b>0.9</b>	<b>2.0</b>	<b>0.8</b>	<b>-1.2</b>	<b>0.5</b>	<b>0.1</b>	<b>-0.3</b>	<b>0.0</b>	<b>0.2</b>	
Internal U.S. Bonds^	21.2	22.0	0.8	2.0	1.1	-0.9	0.4	0.0	-0.2	0.0	0.2	
Special Investments^	1.0	0.4	-0.6	1.7	2.4	0.7	0.0	0.0	0.0	0.0	0.0	
Opportunistic^	0.8	1.4	0.6	-3.0	-8.0	-5.0	0.0	0.0	-0.1	0.0	-0.1	
<b>Non-U.S. Fixed Income</b>	<b>2.0</b>	<b>3.0</b>	<b>1.0</b>	<b>10.4</b>	<b>10.3</b>	<b>-0.1</b>	<b>0.2</b>	<b>0.1</b>	<b>0.0</b>	<b>0.0</b>	<b>0.3</b>	
<b>Inflation Adjusted</b>	<b>1.0</b>	<b>0.7</b>	<b>-0.3</b>	<b>2.6</b>	<b>7.0</b>	<b>4.4</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.1</b>	
<b>Real Estate</b>	<b>9.0</b>	<b>8.2</b>	<b>-0.8</b>	<b>3.2</b>	<b>1.6</b>	<b>-1.6</b>	<b>0.3</b>	<b>-0.1</b>	<b>-0.1</b>	<b>0.0</b>	<b>0.1</b>	
<b>AIM Program</b>	<b>9.0</b>	<b>8.1</b>	<b>-0.9</b>	<b>4.5</b>	<b>5.3</b>	<b>0.8</b>	<b>0.4</b>	<b>-0.1</b>	<b>0.1</b>	<b>0.0</b>	<b>0.4</b>	
<b>Cash Equization</b>	<b>0.0</b>	<b>0.6</b>	<b>0.6</b>	<b>0.9</b>	<b>-3.5</b>	<b>-4.4</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	
<b>Total Fund</b>	<b>100.0</b>	<b>100.0</b>	<b>0.0</b>	<b>-4.2</b>	<b>-4.4</b>	<b>-0.2</b>	<b>-4.2</b>	<b>0.0</b>	<b>-0.4</b>	<b>0.2</b>	<b>-4.4</b>	

The Total Fund Attribution displays the return contribution of each asset class to the total fund using the allocation to each program at the beginning of the quarter and this quarter's returns to determine if tactical allocation and active management within asset classes helped or hurt performance



## Total Fund Review for PERF (continued)

- ◆ The California Public Employees' Retirement System ("CalPERS, the System") generated a total fund return of -4.4%, for the quarter ended March 31, 2008. CalPERS' return can be attributed as follows:
  - 4.2% Strategic Policy Allocation
  - +0.0% Actual/Tactical Asset Allocation
  - +0.2% Activity/Timing
  - 0.4% Active Management
  - 4.4% Total Return**
- ◆ The total fund attribution table on the previous page displays the return contribution of each asset class to the total fund. This table will allow the Board to see if tactical allocation and active management within asset classes helped or hurt performance during the quarter.
  - Strategic Policy: The contribution to total return from each asset class, calculated as the percentage allocated to each asset class multiplied by the benchmark for that asset class.
  - Activity: The Activity contribution column is the difference between the "buy and hold" portfolio and the weighted return and would be caused by timing and size of cash flows (transfers, deposits, and withdrawals).
  - Actual Allocation: The return contribution during the quarter due to differences in the actual allocation from the policy allocation (i.e. the actual allocation to total equity was higher than the policy allocation). A positive number would indicate an overweight benefited performance and vice versa.
  - Active Management: The return contribution from active management. The number would be positive if the asset class outperformed the designated policy index and vice versa (i.e. the US fixed income segment outperformed its custom benchmark during the quarter and contributed positively to active management).
  - Actual Return: The actual return of the asset classes if allocations to them were static during the quarter. These returns will not match exactly with the actual segment returns since asset class allocations change during the quarter due to market movement, cash flows, etc.
- ◆ The Total Fund composite lagged its strategic policy. However, the System has beaten its weighted policy index and its actuarial rate of return for the 3-year and 5-year and has outperformed against its policy index for the 10-year period.



## Total Fund Review for PERF (continued)

### *Helped Performance:*

- ◆ **US Bond Exposure:** Bond markets saw yields fall as investors moved out of equities and into fixed income securities for the quarter. The Bond segment was able to outperform against the total fund policy return of -4.2 for the quarter and has outperformed for the one and ten year periods.
- ◆ **Real Estate:** The System's real estate segment returned 1.7%, outperforming the total fund policy's return. The program has produced excellent long-term returns and has outperformed the total fund policy for the one, three, five, and ten year periods.
- ◆ **AIM Program:** The alternative investment program outperformed the total fund and equity policies and has continued to contribute favorably to the total fund policy for the one, three, five, and ten year periods.
- ◆ **International Fixed Income:** The international bond segment was one of the best returning segment for the quarter and outperformed the total fund policy for the quarter, one and ten year periods.
- ◆ **Total Inflation Linked Program:** The total inflation linked program outperformed the total fund policy.

### *Impeded Performance:*

- ◆ **U.S. Equity Exposure:** The System's U.S. equity asset class returned -10.1% which underperformed the total fund policy return. Domestic equities have underperformed the total fund policy return for the one, three, five, and ten year periods.
- ◆ **International Equity Exposure:** The System's international equity program returned -9.7% and underperformed the policy index return for the quarter. International equities have outperformed the total fund policy for the three, five and ten year periods.
- ◆ **RM ARS Program:** The RM ARS Program underperformed the total fund policy but outperformed the US Equity segment for the quarter. The US equity segment was its funding source.
- ◆ **Corporate Governance:** The System's corporate governance program underperformed the total fund policy for the quarter. However, the corporate governance segment has produced favorable contributions to the total fund performance for the five year time period.



## Total Equity Review for PERF Periods Ended 3/31/08

### Equity Allocation

#### Asset Allocation: Actual versus Target Weights

Asset Class	Actual Asset Allocation	Target Asset Allocation	Difference
US Equities	33.1	37.3%	-4.2
Non US Equities	19.3	18.7	+0.6

### Equity Segment Performance

	Market Value	Qtr	1 Year	3 Year	5 Year	10 Year	VaR <sup>23</sup>	PAR <sup>24</sup>	5-year Sharpe Ratio <sup>25</sup>	5-year Info Ratio <sup>25</sup>
<b>Total Global Equity ex-AIM<sup>16</sup></b>	<b>125.8</b>	<b>-9.7%</b>	<b>-4.0%</b>	<b>9.3%</b>	<b>15.9%</b>	<b>5.6%</b>	<b>\$19.9 bil</b>	<b>0.3%</b>	<b>1.0</b>	<b>0.0</b>
Equity Policy Index <sup>17</sup>		-9.4%	-2.4%	9.7%	15.9%	5.1%			1.0	0.0
Value Added		-0.3%	-1.6%	-0.4%	0.0%	0.5%				
<b>US Equity Composite</b>	<b>69.9</b>	<b>-10.1%</b>	<b>-5.9%</b>	<b>6.1%</b>	<b>12.0%</b>	<b>3.9%</b>			<b>0.7</b>	<b>-0.4</b>
PERS Wilshire 2500 Index		-9.7%	-5.0%	6.4%	12.1%	3.7%			0.8	0.0
Value Added		-0.4%	-0.9%	-0.3%	-0.1%	0.2%				
<b>Non-US Equity Composite</b>	<b>43.9</b>	<b>-9.7%</b>	<b>0.0%</b>	<b>15.2%</b>	<b>22.2%</b>	<b>7.0%</b>			<b>1.4</b>	<b>-1.0</b>
PERS Custom Index <sup>18</sup>		-8.8%	2.8%	16.4%	23.8%	7.0%			1.4	0.0
Value Added		-0.9%	-2.8%	-1.2%	-1.6%	0.0%				
<b>RM ARS Program</b>	<b>7.0</b>	<b>-4.8%</b>	<b>0.7%</b>	<b>8.4%</b>	<b>9.5%</b>	<b>-.%</b>			<b>1.0</b>	<b>-0.3</b>
Policy Index <sup>19</sup>		3.4%	12.1%	10.1%	11.7%	-.%			2.2	0.0
Value Added		-8.2%	-11.4%	-1.7%	-2.2%	-.%				
<b>Corporate Governance</b>	<b>5.0</b>	<b>-9.1%</b>	<b>-15.0%</b>	<b>3.9%</b>	<b>16.9%</b>	<b>-.%</b>			<b>0.9</b>	<b>0.2</b>
Policy Index <sup>20</sup>		-10.5%	-9.1%	7.6%	15.2%	-.%			0.9	0.0
Value Added		1.4%	-5.9%	-3.7%	1.7%	-.%				
<b>Total Global Equity ex-AIM &amp; ex-Currency overlay<sup>21</sup></b>	<b>125.6</b>	<b>-9.4%</b>	<b>-3.3%</b>	<b>9.5%</b>	<b>15.9%</b>	<b>5.3%</b>				
Equity Policy Index <sup>22</sup>		-9.4%	-2.4%	9.7%	15.9%	5.1%				
Value Added		0.0%	-0.9%	-0.2%	0.0%	0.2%				

<sup>16</sup> Includes domestic equity, international equity, corporate governance, currency overlay, and the RM ARS program. The composites do not add up due to the following accounts being included in the Total Global Equity Ex- Aim and not in the underlying composites: LM Capital, Internal Domestic, Atlantic, Smith Breeden, and WAMCO accounts. In addition, there may be rounding differences.

<sup>17</sup> The Equity Policy Index return equals the benchmark returns for the domestic equity and international equity segments weighted at policy allocation target percentages.

<sup>18</sup> The PERS Custom Index currently represents the FTSE All World ex US Index. This Index is linked historically to its prior benchmarks.

<sup>19</sup> The RM ARS Policy consists of the Merrill Lynch 1-Year Treasury Note +5% and is linked historically to its prior benchmark.

<sup>20</sup> The Corporate Governance Index return equals the return for each manager's benchmark weighted at the current target asset allocation.

<sup>21</sup> Includes domestic equity, international equity, corporate governance, and the RM ARS program.

<sup>22</sup> The Equity Policy Index return equals the benchmark returns for the domestic equity and international equity segments weighted at policy allocation target percentages.

<sup>23</sup> VAR (Value at Risk) measures how much the portfolio might decrease over a 12 month period in extreme cases. The VAR estimate shows how much the portfolio value might fall in the worst 5% of 12 month periods. VAR is calculated using total risk (standard deviation) and market value ((Expected Return – (1.65 X SD)) X MV).

<sup>24</sup> PAR (Performance at Risk) measures how much the portfolio might underperform its benchmark over a 12 month period in extreme cases. This PAR shows how much the portfolio might underperform in the worst 5% of 12 month periods. PAR is calculated using excess risk (tracking error) and market value (1.65 X TE X MV)

<sup>25</sup> The "Information Ratio" calculates the amount of excess performance earned per unit of excess risk, as measured by tracking error. Higher information ratios imply a greater return per unit of excess risk ventured. The Sharpe ratio or reward-to-variability ratio is a measure of the mean excess return per unit of risk in an investment strategy. The Sharpe ratio is used to characterize how well the return of an asset compensates the investor for the risk taken.



## Total Equity Review for PERF (continued)

### Comments Regarding Recent Equity Segment Performance

#### *Helped or Equaled Performance:*

- ◆ **Internal International Equity Index:** The System's internally managed international equity index outperformed the equity policy index over the quarter. The index has added value over longer periods.
- ◆ **Emerging Markets Exposure:** The System's emerging market managers outperformed the equity policy index. The emerging markets segment outpaced the total equity return over all other longer periods.
- ◆ **RM ARS Program:** The System's RM ARS program outperformed the equity policy for the quarter.
- ◆ **Dynamic Completion Fund (DCF):** The DCF portfolio outperformed the equity policy return for the quarter but has underperformed over all other time periods.
- ◆ **International Equity MDP:** The international equity MDP program outperformed the total equity policy this quarter.
- ◆ **International Environmental Program:** The international environmental program outperformed the total equity policy this quarter.

#### *Impeded Performance:*

- ◆ **Internal PERS 2500:** The System's internal PERS 2500 index fund lagged the equity policy index. The fund's performance matched that of its custom benchmark which is consistent with its objective.
- ◆ **International Equity Exposure:** The System's international equity managers lagged the equity policy for the quarter but has outperformed for all other periods.
- ◆ **Corporate Governance:** The corporate governance program lagged the total equity policy index for the quarter, one year, and three year time periods.
- ◆ **Domestic Equity MDP:** The System's domestic MDP program lagged the total equity policy.
- ◆ **Environmental Domestic Equity:** The environmental domestic equity lagged the total equity policy for the quarter.
- ◆ **Domestic Internal Micro-Cap Exposure:** The internal micro-cap portfolio lagged the equity policy index over the quarter.



## Total Equity Review for PERF - U.S. Equity Manager Performance

	<u>Market Value</u>	<u>Qtr</u>	<u>1 Year</u>	<u>3 Year</u>	<u>5 Year</u>	<u>10-Year</u>	<u>Date</u>
<b>US Equity Composite<sup>26</sup></b>	<b>69.9</b>	<b>-10.1%</b>	<b>-5.9%</b>	<b>6.1%</b>	<b>12.0%</b>	<b>3.9%</b>	<b>12/79</b>
PERS Wilshire 2500 Index		-9.7%	-5.0%	6.4%	12.1%	3.7%	
Value Added		-0.4%	-0.9%	-0.3%	-0.1%	0.2%	
<b>Total Internal Equity<sup>26</sup></b>	<b>59.1</b>	<b>-9.9%</b>	<b>-5.3%</b>	<b>6.4%</b>	<b>12.0%</b>	<b>3.9%</b>	<b>6/88</b>
Internal PERS 2500	44.7	-9.7%	-4.9%	6.5%	12.2%	3.9%	12/91
PERS Wilshire 2500		-9.7%	-5.0%	6.4%	12.1%	3.7%	
Tracking Error		0.0%	0.1%	0.1%	0.1%	0.2%	
Dynamic Completion Fund (DCF)	3.4	-8.9%	-2.7%	6.7%	10.2%	-.%	9/98
Custom Benchmark		-9.2%	-3.1%	6.8%	10.2%	-.%	
Tracking Error		0.3%	0.4%	-0.1%	0.0%	-.%	
Domestic Enhanced Index Strategy	4.6	-11.1%	-6.3%	7.1%	14.0%	-.%	3/01
PERS Wilshire 2500		-9.7%	-5.0%	6.4%	12.1%	-.%	
Value Added		-1.4%	-1.3%	0.7%	1.9%	-.%	
Internal Domestic Fundamental	1.0	-9.9%	-8.8%	-.%	-.%	-.%	6/06
PERS Wilshire 2500		-9.7%	-5.0%	-.%	-.%	-.%	
Value Added		-0.2%	-3.8%	-.%	-.%	-.%	
Internal Microcap	0.7	-13.4%	-19.6%	2.6%	-.%	-.%	9/03
Custom Benchmark		-14.0%	-22.6%	1.6%	-.%	-.%	
Tracking Error		0.6%	3.0%	1.0%	-.%	-.%	
External Domestic Equity Transition	4.6						
<b>Total External Domestic Equity</b>	<b>9.1</b>	<b>-10.7%</b>	<b>-8.0%</b>	<b>5.1%</b>	<b>12.1%</b>	<b>4.6%</b>	<b>6/87</b>
Total Active External Mainstream	3.2	-11.7%	-6.0%	6.2%	12.5%	-.%	6/98
Total Domestic Ext. Enhanced	1.4	-9.6%	-9.1%	4.6%	-.%	-.%	9/04
Custom Benchmark		-9.7%	-5.7%	5.9%	-.%	-.%	
Value Added		0.1%	-3.4%	-1.3%	-.%	-.%	
Long/Short	2.9	-10.4%	-.%	-.%	-.%	-.%	6/07
Custom Benchmark		-9.6%	-.%	-.%	-.%	-.%	
Value Added		-0.8%	-.%	-.%	-.%	-.%	
Total Domestic Equity MDP	1.0	-10.7%	-4.2%	6.3%	12.8%	-.%	12/00
Total Domestic Equity MDP II	0.5	-11.2%	-6.0%				3/07
Total Domestic Equity MDP Ventures	0.0	11.1%	11.2%	167.8%	98.6%	-.%	3/01
<b>Environmental Domestic Equity</b>	<b>0.3</b>	<b>-9.8%</b>	<b>-5.8%</b>	<b>4.4%</b>	<b>-.%</b>	<b>-.%</b>	<b>3/05</b>
Custom Benchmark		-9.6%	-5.2%	6.2%	-.%	-.%	
Value Added		-0.2%	-0.6%	-1.8%	-.%	-.%	
<b>Domestic Equity Active Manager Program<sup>27</sup></b>							
Active External Managers + Enh + DCF	10.9	-10.2%	-7.0%	5.4%	11.0%	-.%	6/98
PERS Wilshire 2500		-9.7%	-5.0%	6.4%	12.1%	-.%	
Value Added of Active Mgr Program		-0.5%	-2.0%	-1.0%	-1.1%	-.%	

<sup>26</sup> Composites may not add up exactly due to rounding. The US Equity Composite includes LM Capital which is a fixed income manager that has been allocated to the equity segment.

<sup>27</sup> This composite combines components listed above to present a comparison of the total domestic equity active manager program versus its benchmark.



## Total Equity Review for PERF - International Equity Manager Performance

	<u>Market</u> <u>Value</u>	<u>Qtr</u>	<u>1 Year</u>	<u>3 Year</u>	<u>5 Year</u>	<u>10-Year</u>	<u>Date</u>
<b>Non-US Equity Composite</b> <sup>28</sup>	<b>43.9</b>	<b>-9.7%</b>	<b>0.0%</b>	<b>15.2%</b>	<b>22.2%</b>	<b>7.0%</b>	<b>6/89</b>
<i>PERS Custom Index</i> <sup>29</sup>		-8.8%	2.8%	16.4%	23.8%	7.0%	
<i>Value Added</i>		-0.9%	-2.8%	-1.2%	-1.6%	0.0%	
<b>Int'l Active Equity + MDP + Enh</b>	<b>8.9</b>	<b>-9.1%</b>	<b>0.0%</b>	<b>15.2%</b>	<b>22.2%</b>	<b>6.9%</b>	<b>3/89</b>
<i>Custom Benchmark</i>		-8.9%	2.8%	16.4%	23.8%	7.5%	
<i>Value Added</i>		-0.2%	-2.8%	-1.2%	-1.6%	-0.6%	
<b>Int'l Emerging Markets</b>	<b>5.8</b>	<b>-8.7%</b>	<b>18.6%</b>	<b>27.0%</b>	<b>36.5%</b>	<b>-.-%</b>	<b>9/02</b>
<i>CalPERS FTSE All Emerging Index (with Tobacco)</i>		-9.8%	20.4%	28.3%	34.9%	-.-%	
<i>Value Added</i>		1.1%	-1.8%	-1.3%	1.6%	-.-%	
<b>Total Int'l MDP</b> <sup>30</sup>	<b>0.3</b>	<b>-7.3%</b>	<b>-0.9%</b>	<b>13.2%</b>	<b>19.9%</b>	<b>-.-%</b>	<b>6/00</b>
<b>Fundamental Developed Intl</b>	<b>1.1</b>	<b>-9.0%</b>	<b>-0.9%</b>	<b>-.-%</b>	<b>-.-%</b>	<b>-.-%</b>	<b>3/07</b>
<i>CalPERS FTSE Developed Index</i>		-8.7%	-0.3%	-.-%	-.-%	-.-%	
<i>Value Added</i>		-0.3%	-0.6%	-.-%	-.-%	-.-%	
<b>Structured Emerging Markets</b>	<b>0.1</b>	<b>-8.5%</b>	<b>-.-%</b>	<b>-.-%</b>	<b>-.-%</b>	<b>-.-%</b>	<b>6/07</b>
<i>CalPERS FTSE All Emerging (w/o Tobacco)</i>		-8.5%	-.-%	-.-%	-.-%	-.-%	
<i>Value Added</i>		0.0%	-.-%	-.-%	-.-%	-.-%	
<b>Fundamental Emerging Markets</b>	<b>0.1</b>	<b>-8.2%</b>	<b>-.-%</b>	<b>-.-%</b>	<b>-.-%</b>	<b>-.-%</b>	<b>6/07</b>
<i>CalPERS FTSE All Emerging (w/o Tobacco)</i>		-8.5%	-.-%	-.-%	-.-%	-.-%	
<i>Value Added</i>		0.3%	-.-%	-.-%	-.-%	-.-%	
<b>Total Int'l Ventures</b>	<b>0.0</b>	<b>1.8%</b>	<b>5.9%</b>	<b>61.9%</b>	<b>56.3%</b>	<b>-.-%</b>	<b>3/02</b>
<b>External International Equity Transition</b>	<b>6.3</b>						
<b>Internal International Equity</b> <sup>31</sup>	<b>21.7</b>	<b>-8.8%</b>	<b>-0.3%</b>	<b>-.-%</b>	<b>-.-%</b>	<b>-.-%</b>	<b>6/05</b>
<i>Custom Benchmark</i>		-8.7%	-0.3%	-.-%	-.-%	-.-%	
<i>Tracking Error</i>		-0.1%	0.0%	-.-%	-.-%	-.-%	
<b>Environmental International</b>	<b>0.2</b>	<b>-8.7%</b>	<b>-3.5%</b>	<b>-.-%</b>	<b>-.-%</b>	<b>-.-%</b>	<b>3/06</b>
<i>Custom Benchmark</i>		-8.7%	-0.2%	-.-%	-.-%	-.-%	
<i>Value Added</i>		0.0%	-3.3%	-.-%	-.-%	-.-%	
<b>Total Intl Equity ex-AIM &amp; ex-Currency overlay</b> <sup>32</sup>	<b>36.7</b>	<b>-8.9%</b>	<b>1.0%</b>	<b>15.7%</b>	<b>23.3%</b>	<b>7.5%</b>	
<i>Custom Benchmark</i> <sup>33</sup>		-8.9%	2.1%	16.1%	23.6%	7.1%	
<i>Value Added</i>		0.0%	-1.1%	-0.4%	-0.3%	0.4%	

<sup>28</sup> Composite may not add up exactly due to rounding. The Non-US Equity Composite includes the effect of the currency hedging program, but the benchmark is unhedged. The "Total Intl Equity ex-AIM & ex-Currency overlay" composite at the bottom of the page presents the results without the effects of the currency hedge.

<sup>29</sup> The PERS Custom Index currently represents the FTSE All World ex US Index. This Index is linked historically to its prior benchmarks.

<sup>30</sup> Total MDP market value is also included in the International Active Equity + MDP Composite.

<sup>31</sup> The currency overlay portfolios' values are included in the international equity index.

<sup>32</sup> Includes international equity ex-currency overlay.

<sup>33</sup> The custom benchmark excludes currency overlay.



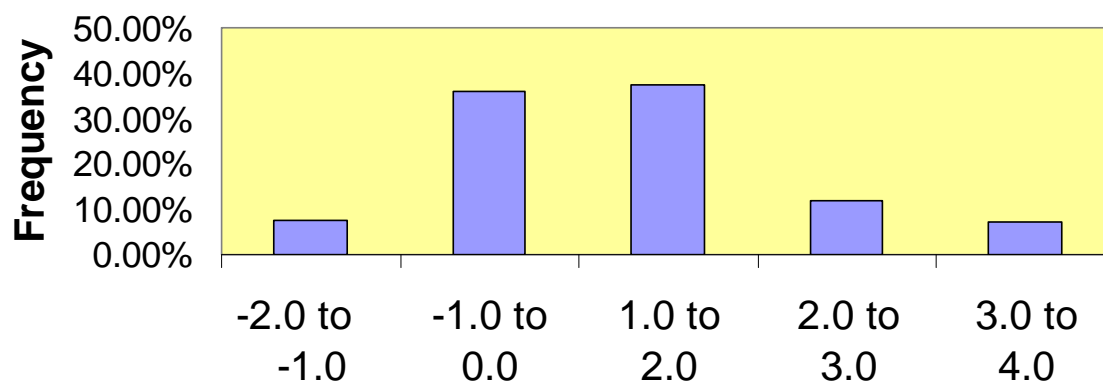
### RM ARS Program Review for PERF Period Ended 3/31/08

	<u>Market Value</u>	<u>Qtr</u>	<u>1 Year</u>	<u>3 Year</u>	<u>5 Year</u>	<u>5-Year</u> <u>Info</u> <u>Ratio</u> <sup>35</sup>	<u>5-Year</u> <u>Up</u> <u>Capture</u> <u>Ratio</u>	<u>5-Year</u> <u>Down</u> <u>Capture</u> <u>Ratio</u>	<u>5-Year</u> <u>Sharpe</u> <u>Ratio</u> <sup>36</sup>	<u>5-Year</u> <u>Sortino</u> <u>Ratio</u> <sup>36</sup>
Total RM ARS Program	7.0	-4.8%	0.7%	8.4%	9.5%	-0.3	0.8	-1.9	1.0	1.4
Total Direct Investments	5.7	-5.4%	0.3%	8.9%	9.8%					
Total Fund of Funds	1.4	-1.9%	2.7%	-.%	-.%					
Policy Index <sup>34</sup>		3.4%	12.1%	10.1%	11.7%					
Value Added		-8.2%	-11.4%	-1.7%	-2.2%					
ML 1-Year Treasury Note Index + 5% Index		3.4%	12.1%	10.1%	8.4%					
HFRI Fund of Funds Index		-4.1%	2.5%	7.5%	8.1%					

### RM ARS Program Characteristics Period Ended 3/31/08

<u>Rolling Correlations vs. Index</u>					
<u>Percentage</u> <u>of positive</u> <u>Months</u>	<u>Beta vs.</u> <u>S&amp;P 500</u>	<u>DJ</u> <u>W5000</u> <sup>20</sup>	<u>PERS</u> <u>2500</u> <sup>20</sup>	<u>Lehman Long</u> <u>Liability</u> <u>Index</u>	<u>FTSE AW</u> <u>X US</u> <sup>20</sup>
68%	0.2	0.3	0.3	-0.3	0.5

### CalPERS- RM ARS (net) Monthly Histogram April 2001 to March 2008



<sup>34</sup> The RM ARS Policy consists of the Merrill Lynch 1-Year Treasury Note + 5% and is linked historically to its prior benchmark.

<sup>35</sup> The "Information Ratio" calculates the amount of excess performance earned per unit of excess risk, as measured by tracking error. Higher information ratios imply a greater return per risk ventured.





## RM ARS Program Review for PERF

- ◆ **Beta vs. S&P 500:** This measures the amount of stock market risk in the portfolio. A beta of 1.0 would indicate that the portfolio's performance should closely track the stock market, while a beta higher than 1.0 implies greater-than-market risk and possibly leverage. The portfolio's beta is 0.2 which implies a semi-weak relationship to stock market return, which is appropriate for this program.
- ◆ **Correlation vs. various indices:** We have calculated the historical correlation between the RM ARS and CalPERS' other main asset classes. Over a market cycle, the RM ARS should function independently of the other asset classes and have a low correlation to directional movements in all other asset classes. Since inception, the performance of both the RM ARS and the stock market has been generally positive, resulting in a moderately high correlation.
- ◆ **Histogram:** The RM ARS is designed to generate small amounts of return on a consistent basis. This chart shows the frequency of monthly performance results. A significant number of outlying monthly performance returns would indicate insufficient risk controls. We believe that the distribution of monthly returns is as expected, given the youthfulness of the program, and has significantly more positive months than negative months, which is favorable.

## Corporate Governance Review

	<u>Market</u> <u>Value</u>	<u>Qtr</u>	<u>1 Year</u>	<u>3 Year</u>	<u>5 Year</u>	<u>Date</u>
<b>Total Corporate Governance</b>	<b>5.0</b>	<b>-9.1%</b>	<b>-15.0%</b>	<b>3.9%</b>	<b>16.9%</b>	<b>12/98</b>
<i>Policy Index</i>		-10.5%	-9.1%	7.6%	15.2%	
<i>Value Added</i>		1.4%	-5.9%	-3.7%	1.7%	
<b>Total Domestic Corporate Governance</b>	<b>2.3</b>	<b>-8.3%</b>	<b>-16.4%</b>	<b>2.6%</b>	<b>14.2%</b>	<b>12/98</b>
<b>Total Int'l Corporate Governance</b>	<b>2.6</b>	<b>-10.0%</b>	<b>-13.3%</b>	<b>5.2%</b>	<b>19.6%</b>	<b>12/98</b>

- ◆ The System's total corporate governance program outperformed its objective but lagged the equity policy. The domestic corporate governance managers were able to outperform against the international ones.

<sup>36</sup> The Sortino Ratio is measure of a risk-adjusted return of an investment asset. It is an extension of the Sharpe Ratio. While the Sharpe ratio takes into account any volatility, in return of an asset, Sortino ratio differentiates volatility due to up and down movements. The up movements are considered desirable and not accounted in the volatility. The Sharpe ratio or reward-to-variability ratio is a measure of the mean excess return per unit of risk in an investment strategy. The Sharpe ratio is used to characterize how well the return of an asset compensates the investor for the risk taken.



## Total Fixed Income Review for PERF

Periods Ended 3/31/08

### Fixed Income Allocation

#### Asset Allocation: Actual versus Target Weights

Asset Class	Actual Asset Allocation	Target Asset Allocation	Difference
US Fixed Income	24.3%	23.0%	+1.3%
Non US Fixed Income	2.4	2.0	+0.4

### Fixed Income Segment Performance

	Market Value	Qtr	1 Year	3 Year	5 Year	10 Year	VaR <sup>40</sup>	PAR <sup>41</sup>	5-year Sharpe Ratio <sup>42</sup>	5-year Info Ratio <sup>42</sup>
<b>Total Fixed Income</b>	<b>64.7</b>	<b>1.8%</b>	<b>8.3%</b>	<b>6.1%</b>	<b>6.7%</b>	<b>6.9%</b>	<b>\$3,148 mil</b>	<b>0.1%</b>	<b>0.7</b>	<b>1.0</b>
Fixed Income Policy Index <sup>37</sup>		2.7%	8.9%	5.7%	5.7%	6.6%			0.5	0.0
Value Added		-0.9%	-0.6%	0.4%	1.0%	0.3%				
<b>U.S. Fixed Income</b>	<b>58.9</b>	<b>0.8%</b>	<b>6.8%</b>	<b>6.0%</b>	<b>6.3%</b>	<b>6.9%</b>			<b>0.6</b>	<b>0.9</b>
Policy Index <sup>38</sup>		2.0%	7.7%	5.6%	5.3%	6.6%			0.4	0.0
Value Added		-1.2%	-0.9%	0.4%	1.0%	0.3%				
<b>Non-U.S. Fixed Income</b>	<b>5.7</b>	<b>10.3%</b>	<b>21.0%</b>	<b>7.1%</b>	<b>9.1%</b>	<b>6.8%</b>			<b>1.4</b>	<b>0.4</b>
Policy Index <sup>39</sup>		10.4%	21.1%	7.3%	8.9%	7.3%			1.4	0.0
Value Added		-0.1%	-0.1%	-0.2%	0.2%	-0.5%				

### Comments Regarding Recent Fixed Income Segment Performance

#### Helped Performance:

- ◆ **Treasury Bonds:** Treasury bonds outperformed versus the fixed income policy index for the quarter, as the Fed decreased the Fed Fund Rate which drove yields down. The portfolio has outperformed the fixed income policy over the one, three, five, and ten year time periods.
- ◆ **International Fixed Income:** The System's external international bond segment outperformed the total fixed income policy for the quarter as the dollar continued to depreciate. The portfolio has outperformed versus the fixed income policy over the one, three, five and ten year periods.

<sup>37</sup> The Fixed Income Policy Index return equals the benchmark returns for domestic and international fixed income components weighted at policy allocation target percentages.

<sup>38</sup> The Domestic Fixed Income Policy Index consists of the Lehman Long Liability Index and is linked historically to its prior benchmark.

<sup>39</sup> The Non-US Fixed Income Policy Index consists of the Lehman International Fixed Income and is linked historically to its prior benchmark.

<sup>40</sup> VAR (Value at Risk) measures how much the portfolio might decrease over a 12 month period in extreme cases. The VAR estimate shows how much the portfolio value might fall in the worst 5% of 12 month periods. VAR is calculated using total risk (standard deviation) and market value ((Expected Return – (1.65 X SD)) X MV).

<sup>41</sup> PAR (Performance at Risk) measures how much the portfolio might underperform its benchmark over a 12 month period in extreme cases. This PAR shows how much the portfolio might underperform in the worst 5% of 12 month periods. PAR is calculated using excess risk (tracking error) and market value (1.65 X TE X MV).

<sup>42</sup> The "Information Ratio" calculates the amount of excess performance earned per unit of excess risk, as measured by tracking error. Higher information ratios imply a greater return per risk ventured. The Sharpe ratio or reward-to-variability ratio is a measure of the mean excess return per unit of risk in an investment strategy. The Sharpe ratio is used to characterize how well the return of an asset compensates the investor for the risk taken.



- ◆ **Internal Sovereign Bonds:** The System's Sovereign portfolio, which holds non-US government bonds that are U.S. Dollar denominated, outperformed versus the total fixed income policy over the quarter and over all other listed periods.

***Impeded Performance:***

- ◆ **Mortgage Bonds:** CalPERS' mortgage portfolio underperformed the overall fixed income segment. This segment has underperformed the overall fixed income segment for the one, three, five, and ten year periods.
- ◆ **Special Investments:** The special investments underperformed versus the fixed income policy index over the quarter but have outperformed the fixed income policy index over the three year periods.
- ◆ **External High Yield Bonds:** The external high yield bond managers underperformed the fixed income policy index during the quarter. However, the segment has added value over the long term, led by the bank loan segment.
- ◆ **Internal High Yield Bonds:** CalPERS' internal high yield portfolio underperformed the fixed income policy index over the quarter. However, the portfolio has outperformed over the three and five year periods.



## Fixed Income Performance

	<b>Market Value</b>	<b>Qtr</b>	<b>1 Year</b>	<b>3 Year</b>	<b>5 Year</b>	<b>10 Year</b>
<b>Total Fixed Income</b>	<b>64.7</b>	<b>1.8%</b>	<b>8.3%</b>	<b>6.1%</b>	<b>6.7%</b>	<b>6.9%</b>
<i>Fixed Income Policy Index</i> <sup>43</sup>		2.7%	8.9%	5.7%	5.7%	6.6%
<i>Value Added</i>		-0.9%	-0.6%	0.4%	1.0%	0.3%
<b>Total Internal Bonds</b>	<b>54.1</b>	<b>1.1%</b>	<b>7.1%</b>	<b>5.8%</b>	<b>6.0%</b>	<b>6.8%</b>
Treasury Bonds	5.7	4.5%	13.4%	7.2%	5.9%	7.2%
Mortgage Bonds	17.4	1.3%	6.0%	5.4%	4.8%	6.0%
Long Duration	7.3	1.3%	6.2%	-.%	-.%	-.%
Corporate Bonds	16.3	-1.4%	2.4%	5.2%	7.4%	7.0%
U.S. Government	5.9	3.3%	12.8%	6.6%	4.8%	-.%
Sovereign Bonds <sup>44</sup>	1.1	4.4%	11.5%	8.1%	7.5%	8.9%
Duration/SEC Allocation	1.0	-3.7%	0.3%	-.%	-.%	-.%
<i>Custom Benchmark</i> <sup>45</sup>		2.0%	7.7%	5.6%	5.3%	6.6%
<b>Opportunistic</b> <sup>46</sup>	<b>2.7</b>	<b>-8.0%</b>	<b>-3.0%</b>	<b>13.7%</b>	<b>19.0%</b>	<b>-.%</b>
Internal High Yield Bonds	0.5	1.0%	4.2%	13.6%	18.8%	-.%
External High Yield	1.1	-6.0%	-6.6%	4.9%	9.5%	-.%
<i>Citigroup High Yield Cash Pay</i>		-3.0%	-3.4%	4.6%	8.3%	-.%
<b>Special Investments</b>	<b>1.3</b>	<b>2.4%</b>	<b>7.4%</b>	<b>6.2%</b>	<b>5.3%</b>	<b>5.8%</b>
<b>External International Fixed Income</b>	<b>5.7</b>	<b>10.3%</b>	<b>21.0%</b>	<b>7.1%</b>	<b>9.1%</b>	<b>6.8%</b>
<i>Custom Benchmark</i> <sup>47</sup>		10.4%	21.1%	7.3%	8.9%	7.3%
<i>Value Added</i>		-0.1%	-0.1%	-0.2%	0.2%	-0.5%
<b>Currency Overlay</b> <sup>48</sup>						
Pareto Partners	3.6	-12.2%	-8.5%	11.6%	17.4%	5.4%
<i>Custom Benchmark</i>		-11.9%	-8.8%	-8.3%	11.4%	2.5%
<i>Value Added</i>		-0.3%	0.3%	19.9%	6.0%	2.9%
State Street London	2.4	-13.0%	24.1%	24.1%	24.3%	8.8%
<i>Custom Benchmark</i>		-11.9%	-8.8%	-8.3%	11.4%	2.5%
<i>Value Added</i>		-1.1%	32.9%	32.4%	12.9%	6.3%
Internal Currency Overlay	2.6	-14.2%	-11.6%	11.2%	16.2%	-.%
<i>Custom Benchmark</i>		-11.9%	-8.8%	-8.3%	11.4%	2.5%
<i>Value Added</i>		-2.3%	-2.8%	19.5%	4.8%	-.%

<sup>43</sup> The Fixed Income Policy Index return equals the benchmark returns for domestic and international fixed income components weighted at policy allocation target percentages.

<sup>44</sup> The Internal Sovereign Bond market value is also included in the Internal Treasury Bond market value.

<sup>45</sup> The custom benchmark consists of the Lehman Long Liability Index. Prior of 3Q 2004 the benchmark was Citigroup LPF.

<sup>46</sup> Opportunistic includes internal and external high yield. Internal High Yield's market value is included in both the Total Internal Bonds and the Opportunistic Market Values.

<sup>47</sup> The custom benchmark consists of the Lehman International Fixed Income and is linked historically to its prior benchmark.

<sup>48</sup> Currency overlay's performance is rolled into the international equity composite, but is shown here since it is managed by fixed income managers.



## Total Inflation Linked Performance for PERF Period Ended 3-31-08

### Inflation Linked Allocation

#### Asset Allocation: Actual versus Target Weights

Asset Class	Actual Asset Allocation	Target Asset Allocation	Difference
Inflation Linked	1.4%	1.0%	+0.4%

### Inflation Linked Performance

	Market Value	<u>Qtr</u>	<u>1 Year</u>	<u>3 Year</u>	<u>5 Year</u>	<u>10 Year</u>
<b>Inflation Linked</b>	<b>3.4</b>	7.0%	-.-%	-.-%	-.-%	-.-%
<i>CPI + 400 BP</i>		2.6%	-.-%	-.-%	-.-%	-.-%
<i>Value Added</i>		4.4%	-.-%	-.-%	-.-%	-.-%
<b>Commodities Collateral</b>	<b>1.0</b>	-1.0%	-.-%	-.-%	-.-%	-.-%
<i>Blended LIBOR Fed Fund Index</i>		0.8%	-.-%	-.-%	-.-%	-.-%
<i>Value Added</i>		-1.8%	-.-%	-.-%	-.-%	-.-%
<b>Commodities Overlay</b>	<b>0.0</b>	9.3%	-.-%	-.-%	-.-%	-.-%
<i>Goldman Sachs Commodity Excess Return Index</i>		9.3%	-.-%	-.-%	-.-%	-.-%
<i>Value Added</i>		0.0%	-.-%	-.-%	-.-%	-.-%
<b>Forestland*</b>	<b>1.4</b>	7.7%	-.-%	-.-%	-.-%	-.-%
<i>CPI + 500 BP</i>		2.8%	-.-%	-.-%	-.-%	-.-%
<i>Value Added</i>		4.9%	-.-%	-.-%	-.-%	-.-%
<b>Inflation Linked Bonds</b>	<b>1.0</b>	-.-%	-.-%	-.-%	-.-%	-.-%
<i>LEHMAN GI. INF</i>		-.-%	-.-%	-.-%	-.-%	-.-%
<i>Value Added</i>		-.-%	-.-%	-.-%	-.-%	-.-%
<b>Infrastructure*</b>	<b>0.1</b>	-0.9%	-.-%	-.-%	-.-%	-.-%
<i>CPI + 500 BP</i>		2.8%	-.-%	-.-%	-.-%	-.-%
<i>Value Added</i>		-3.7%	-.-%	-.-%	-.-%	-.-%

- ◆ CalPERS Inflation Linked performance outperformed its benchmark of the CPI + 400 bp for the quarter.

\* Are reported on a quarter-lag.



## Total Real Estate Review for PERF Period Ended 3/31/08

### Real Estate Allocation

#### Asset Allocation: Actual versus Target Weights

Asset Class	Actual Asset Allocation	Target Asset Allocation	Difference
Real Estate	9.7%	9.0%	+0.7%

### Real Estate Segment Performance

	Market Value	Qtr	1 Year	3 Year	5 Year	10 Year	VaR <sup>51</sup>	PAR <sup>52</sup>	5-year Sharpe Ratio <sup>53</sup>
<b>Total Real Estate</b> <sup>49</sup>	<b>21.9</b>	<b>1.6%</b>	<b>6.7%</b>	<b>20.9%</b>	<b>19.7%</b>	<b>15.1%</b>	<b>\$4,222 mil</b>	<b>0.1</b>	<b>2.5</b>
NCREIF Property Index Lagged <sup>50</sup>		3.2%	15.8%	17.5%	15.1%	12.9%			<b>4.9</b>
TUCS Real Estate Median		1.1%	9.7%	15.1%	16.3%	12.7%			
<b>Total Core Real Estate</b>	<b>11.0</b>	<b>6.1%</b>	<b>20.8%</b>	<b>26.5%</b>	<b>22.2%</b>	<b>17.0%</b>			
Core Real Estate Private	11.0	6.1%	20.8%	26.4%	22.1%	17.3%			
<b>Total Special Real Estate</b>	<b>10.9</b>	<b>-2.9%</b>	<b>-6.8%</b>	<b>13.9%</b>	<b>17.5%</b>	<b>10.9%</b>			

- ◆ CalPERS' real estate composite produced a return of 1.6% during the quarter, underperforming the lagged NCREIF Property Index return of 3.2%. Over the long term the composite has added value and outperformed both the NCREIF and the TUCS real estate median.

<sup>49</sup> Real estate total returns are net of investment management fees and all expenses, including property level operations expenses netted from property income. This method differs from GASB 31, which requires all investment expenses be identified for inclusion in the System's general purpose financial statements.

<sup>50</sup> The performance of CalPERS' real estate segment is lagged one quarter. Therefore, the NCREIF Property Index is lagged one quarter as well to provide a better comparison.

<sup>51</sup> VAR (Value at Risk) measures how much the portfolio might decrease over a 12 month period in extreme cases. The VAR estimate shows how much the portfolio value might fall in the worst 5% of 12 month periods. VAR is calculated using total risk (standard deviation) and market value ((Expected Return - (1.65 X SD)) X MV).

<sup>52</sup> PAR (Performance at Risk) measures how much the portfolio might underperform its benchmark over a 12 month period in extreme cases. This PAR shows how much the portfolio might underperform in the worst 5% of 12 month periods. PAR is calculated using excess risk (tracking error) and market value (1.65 X TE X MV)

<sup>53</sup> The Sharpe ratio or reward-to-variability ratio is a measure of the mean excess return per unit of risk in an investment strategy. The Sharpe ratio is used to characterize how well the return of an asset compensates the investor for the risk taken.



## AIM Program Review for PERF Period Ended 3/31/08

### AIM Program Allocation

#### Asset Allocation: Actual versus Target Weights

Asset Class	Actual Asset Allocation	Target Asset Allocation	Difference
AIM	9.0%	9.0%	+0.0%

### AIM Segment Performance

	Market Value	Qtr	1 Year	3 Year	5 Year	10 Year	VaR <sup>56</sup>	PAR <sup>57</sup>	5-year Sharpe Ratio <sup>58</sup>
AIM Program <sup>54</sup>	23.1	5.3%	26.8%	25.0%	18.8%	12.9%	\$6,558 mil	0.8%	2.1
Policy Index <sup>55</sup>		4.5%	19.6%	18.9%	15.0%	5.3%			3.5
Value Added		0.8%	7.2%	6.1%	3.8%	7.6%			
Long-Term Policy						9.0%			
AIM Partnership Investments	23.1	5.4%	27.1%	25.2%	18.8%	12.1%			
AIM Distribution Stock	0.0	-27.0%	-30.6%	-5.5%	8.0%	-.%			

- ◆ The AIM program outperformed its objective over the quarter and has outperformed for all longer periods.

## Cash Program Review for PERF

### Cash Program Allocation

#### Asset Allocation: Actual versus Target Weights

Asset Class	Actual Asset Allocation	Target Asset Allocation	Difference
Cash	0.8%	0.0%	+0.8%

### Cash Segment Performance

	Market Value	Qtr	1 Year	3 Year	5 Year	10 Year
Equitized Cash Composite <sup>59</sup>	1.9	-3.5%	-2.7%	2.8%	2.3%	3.5%
Policy Index <sup>60</sup>		0.9%	4.9%	4.6%	3.3%	3.8%
Value Added		-4.4%	-7.6%	-1.8%	-1.0%	-0.3%
Total Cash	1.9	0.9%	4.9%	4.8%	3.4%	4.1%
Cash Equitization	0.0	-10.5%	-9.1%	-.%	-.%	-.%

<sup>54</sup>The performance of CalPERS' AIM segment is lagged one quarter.

<sup>55</sup> The AIM Policy Index consists of the Custom Young Fund and is linked historically to its prior benchmark.

<sup>56</sup> VAR (Value at Risk) measures how much the portfolio might decrease over a 12 month period in extreme cases. The VAR estimate shows how much the portfolio value might fall in the worst 5% of 12 month periods. VAR is calculated using total risk (standard deviation) and market value ((Expected Return - (1.65 X SD)) X MV).

<sup>57</sup> PAR (Performance at Risk) measures how much the portfolio might underperform its benchmark over a 12 month period in extreme cases. This PAR shows how much the portfolio might underperform in the worst 5% of 12 month periods. PAR is calculated using excess risk (tracking error) and market value (1.65 X TE X MV).

<sup>58</sup> The Sharpe ratio or reward-to-variability ratio is a measure of the mean excess return per unit of risk in an investment strategy. The Sharpe ratio is used to characterize how well the return of an asset compensates the investor for the risk taken.

<sup>59</sup> Cash is equitized using equity index futures in proportion to the Total Equity Policy Weights.

<sup>60</sup> The Custom STIF Policy Index is a custom index.



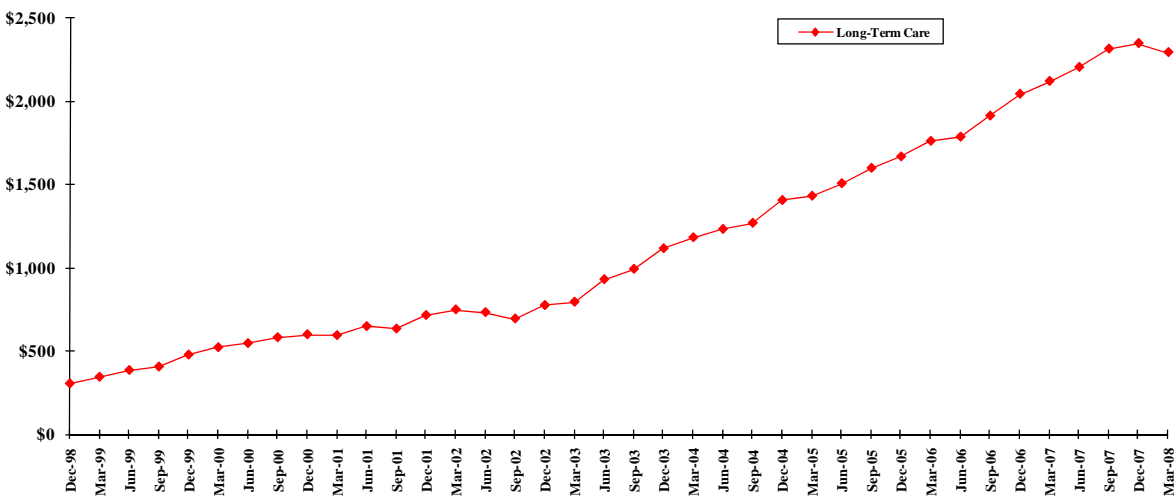
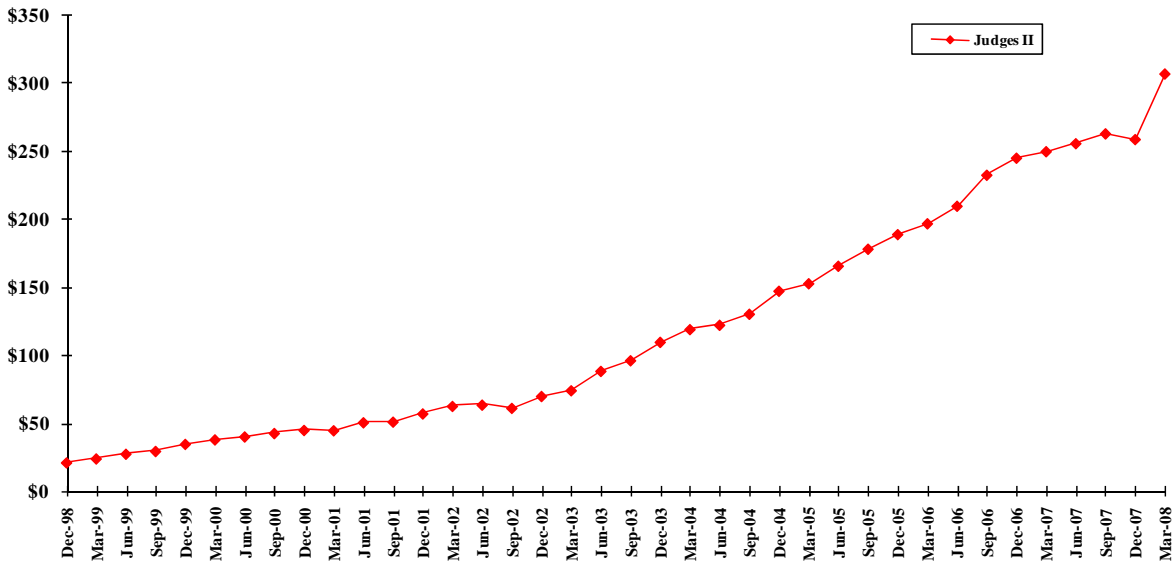
## **Affiliate Fund Information**





## Affiliate Fund Performance Period Ended 3/31/08

### Growth in Assets (in \$Millions)



## Total Fund Performance Results

### Total Fund Performance Periods Ended March 31, 2008

	<u>Market Value</u>	<u>Qtr</u>	<u>One Year</u>	<u>Three Year</u>	<u>Five Year</u>	<u>Ten Year</u>
<b>Judges II</b>	\$307.1 mil	-4.1%	-0.7%	8.1%	11.2%	5.6%
<i>Weighted Policy Benchmark</i> <sup>61</sup>		-4.0	-0.9	7.8	10.9	5.6
<b>Long Term Care ("LTC")</b>	\$2,294.3 mil	-3.9	0.6	7.7	11.2	5.5
<i>Weighted Policy Benchmark</i>		-3.6	0.5	7.2	10.7	5.5
<b>Annuitants Health Care</b>	\$213.6 mil	-4.5	-.	-.	-.	-.
<i>Weighted Policy Benchmark</i>		-5.4	-.	-.	-.	-.
<i>TUCS Public Fund Median</i> <sup>62</sup>		-5.0	0.5	7.7	11.4	6.1

## Asset Allocation

### Judges II Asset Allocation: Actual versus Target Weights

Asset Class	Actual Asset Allocation (%)	Target Asset Allocation (%)	Difference
US Equities	27.3	34.0	-6.7
Int'l Equity	16.2	20.0	-3.8
US Bonds	28.7	36.0	-7.3
Real Estate	8.1	10.0	-1.9
Cash	19.6	0.0	19.6
Total	100.0	100.0	0.0

### LTC Asset Allocation: Actual versus Target Weights

Asset Class	Actual Asset Allocation (%)	Target Asset Allocation (%)	Difference
US Equities	29.0	29.0	0.0
Int'l Equity	18.9	19.0	-0.1
US Bonds	33.0	30.0	3.0
High Yield	9.0	10.0	-1.0
TIPS	4.7	7.0	-2.3
Real Estate	5.5	5.0	0.5
Cash	0.0	0.0	0.0
Total	100.0	100.0	0.0

<sup>61</sup> The weighted policy benchmark returns for Judges II and LTC are based on asset class index returns weighted by asset class policy targets.

<sup>62</sup> The Trust Universe Comparison Service (TUCS) is a universe of over 1,000 client portfolios returns subdivided by client type and asset class.



## Commentary

- ◆ For the quarter ended March 31, 2008, the Judges II generated a total return of -4.1% and the LTC generated a return of -3.9%. Both Plans trailed their respective weighted policy benchmarks for the quarter but continue to outperform over the one-, three-, and five-year periods.
- ◆ At the end of the quarter, Judges II was underweight in equities, fixed income and real estate while overweight in cash. The Plan held \$60 million in excess cash, approximately 20% of total assets, as a result of a one-time transfer it received during March; these were contributions to Judges II over the past 17 months that were inadvertently left out due to staff transition and oversight. These funds continued to accrue investment earnings at the Surplus Money Investment rate from the State Treasurer's Office. The issue was discovered in March 2008 and a cumulative transfer was made to resolve this issue. The \$60 million cash was subsequently invested in the various funds in Judges II in early April to bring each asset class' allocation back in line with their respective policy targets.
- ◆ The LTC was overweight in core fixed income and real estate while underweight in international equity, high yield and TIPS.

## U.S. Equity Performance

### U.S. Equity Performance Periods Ended March 31, 2008

	<u>Market Value</u>	<u>Qtr</u>	<u>One Year</u>	<u>Three Year</u>	<u>Five Year</u>	<u>Ten Year</u>
Judges II U.S. Equity	\$83.8 mil	-9.6%	-5.4%	5.7%	11.1%	3.4%
<i>Custom Benchmark</i> <sup>63</sup>		-9.5	-5.3	5.6	11.1	3.4
LTC U.S. Equity	\$665.5	-9.6	-5.4	5.7	11.1	3.4
<i>Custom Benchmark</i> <sup>63</sup>		-9.5	-5.3	5.6	11.1	3.4
<i>TUCS Equity Median</i>		-9.7	-6.0	6.1	13.4	5.6

## Commentary

- ◆ The Judges II and LTC equity funds, which are invested in the Custom S&P 500 ex-Tobacco Index Fund, produced a return of -9.6% for the quarter, slightly trailing their custom benchmark for the quarter. The funds have also exhibited negative tracking error relative to their custom benchmark over the one- and three-year periods, but have done well over the five-year and ten-year periods.

<sup>63</sup> A custom tobacco-free S&P 500 is used as the benchmark for the U.S. equity segments of Judges II and LTC starting with February 2001 performance. Prior of that the benchmark was the S&P 500 Index.



## International Equity Performance

### International Equity Performance Periods Ended March 31, 2008

	<u>Market Value</u>	<u>Qtr</u>	<u>One Year</u>	<u>Three Year</u>	<u>Five Year</u>	<u>Ten Year</u>
Judges II Int'l Equity	\$49.7 mil	-8.8%	-0.3%	14.3%	22.1%	6.6%
<i>Custom Benchmark</i> <sup>64</sup>		-8.7	-0.3	14.1	21.9	6.4
LTC Int'l Equity	\$432.6	-8.8	-0.3	13.9	21.9	6.6
<i>Custom Benchmark</i> <sup>64</sup>		-8.7	-0.3	14.1	21.9	6.4

## Commentary

- ◆ The Judges II and LTC international equity funds returned -8.8% during the first quarter and trailed their custom benchmark, the FTSE Developed World ex-US & Tobacco Index. Both funds continue to track closely to their benchmark and have added value over the long term.

<sup>64</sup> Effective October 1, 2006, the benchmark is FTSE Developed World ex-U.S. & Tobacco Index. Prior of that the benchmark was the MSCI EAFE Index (Net).



## Total Fixed Income

### Fixed Income Performance Periods Ended March 31, 2008

	<b>Market Value</b>	<b>Qtr</b>	<b>One Year</b>	<b>Three Year</b>	<b>Five Year</b>	<b>Ten Year</b>
Judges II Fixed Income <i>Custom Benchmark</i> <sup>65</sup>	\$88.2 mil	1.0%	6.7%	5.3%	4.8%	6.1%
		2.0	7.7	5.1	4.3	5.9
LTC Fixed Income <i>Custom Benchmark</i> <sup>66</sup>	\$756.7	1.0	6.7	5.7	5.1	6.2
		2.0	7.7	5.0	4.3	5.9
LTC High Yield <i>Lehman Long Liability High Yield</i>	\$205.6	-3.9	-4.6	-.-	-.-	-.-
		-3.0	-3.4	-.-	-.-	-.-
LTC TIPS <i>Lehman Long Liability TIPS</i>	\$108.1	5.5	14.3	-.-	-.-	-.-
		5.2	14.5	-.-	-.-	-.-

## Commentary

- ◆ The Judges II and LTC fixed income portfolios returned 1.0% for the quarter and underperformed their custom benchmark, the Lehman Long Liability Index. Both portfolios also trailed their custom benchmark over the one-year mark, but have otherwise done well over time.
- ◆ LTC's high yield portfolio underperformed its benchmark, the Lehman Long Liability High Yield Index, returning -3.9%. The LTC TIPS portfolio, benchmarked against the Lehman Long Liability TIPS Index, returned 5.5% and outperformed for the quarter. Both the high yield and TIPS portfolios have trailed their respective benchmarks over the one-year period.

<sup>65</sup> The current benchmark is the Lehman Long Liability Index. Prior of July 2005 the benchmark was the Lehman Aggregate Bond Index.

<sup>66</sup> The current benchmark is the Lehman Long Liability Index. Lehman Long Liability ex TIPS ex High Yield was the benchmark between June 2007 and July 2005. Prior of that the benchmark was the Lehman Aggregate Bond Index.



## Total Real Estate

### Real Estate Performance Periods Ended March 31, 2008

	<b>Market Value</b>	<b>Qtr</b>	<b>One Year</b>	<b>Three Year</b>	<b>Five Year</b>
Judges II REIT	\$25.0 mil	4.5%	-17.1%	10.9%	-.-
LTC REIT	125.8 mil	2.4	-18.5	-.-	-.-
<i>Custom Benchmark <sup>67</sup></i>		2.1	-19.0	11.9	-.-
<i>DJ Wilshire RESI</i>		2.1	-18.9	11.6	18.9
<i>TUCS Real Estate Median</i>		1.1	9.7	15.1	16.3

## Commentary

- ◆ Judges II's REIT portfolio generated a return of 4.5% and LTC's REIT portfolio generated a return of 2.4%, both beat their custom benchmark, the Dow Jones Wilshire Real Estate Securities Index (RESI), for the quarter. The two REIT portfolios have also outperformed relative to their custom benchmark over the one-year period, though Judges II's three-year return still trailed the RESI.

<sup>67</sup> Current benchmark is the DJ Wilshire RESI Index. Historically, it has been the DJ Wilshire REIT Index.

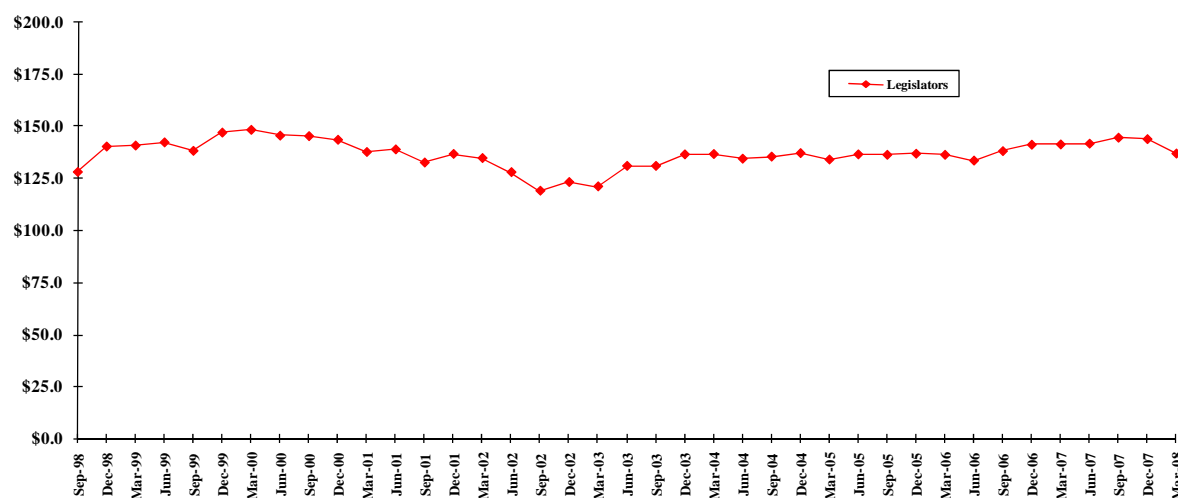


## **Legislators' Information**



## California Legislators' Retirement System

### Growth in Assets



### Total Fund Performance Results

#### Total Fund Performance Periods Ended March 31, 2008

	<u>Market Value</u>	<u>Qtr</u>	<u>One Year</u>	<u>Three Year</u>	<u>Five Year</u>	<u>Ten Year</u>
<b>LRS</b>	<b>\$137.0 mil</b>	<b>-2.7%</b>	<b>3.4%</b>	<b>6.9%</b>	<b>8.9%</b>	<b>6.0%</b>
<i>Weighted Policy Benchmark</i> <sup>68</sup>		-2.2	3.8	6.8	8.9	6.4
<i>TUCS Public Fund Median</i> <sup>69</sup>		-5.0	0.5	7.7	11.4	6.1

### Asset Allocation

Asset Class	Actual	Policy	Difference
US Equity	30.2%	30.0%	+0.2%
International Equity	10.1	10.0	+0.1
US Bonds	53.3	50.0	+3.3
TIPS	6.4	10.0	-3.6
Cash Equivalents	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
	100.0	100.0	0.0

<sup>68</sup> The weighted policy benchmark returns are calculated based on asset class index returns weighted by asset class policy targets.

<sup>69</sup> The Trust Universe Comparison Service (TUCS) is a universe of over 1,000 client portfolio returns subdivided by client type and asset class.





## Commentary

- ◆ The California Legislators' Retirement System ('LRS, the System') generated a return of -2.7% for the first quarter of 2008 and trailed its weighted policy benchmark's return of -2.2%. The System has also underperformed over the one-year and ten-year periods, but has outperformed over the three-year period. The LRS' portfolio outperformed versus the TUCS Public Fund Median for the quarter but has lagged it for all other measured periods shown.

## LRS Internal U.S. Equity Assets

### LRS Internal U.S. Equity Performance Periods Ended March 31, 2008

	<u>Market Value</u>	<u>Qtr</u>	<u>One Year</u>	<u>Three Year</u>	<u>Five Year</u>	<u>Ten Year</u>
LRS U.S. Equity	\$41.4 mil	-9.6%	-5.4%	5.7%	11.1%	3.4%
<i>Custom S&amp;P 500 Index</i> <sup>70</sup>		-9.5	-5.3	5.6	11.1	3.4
<i>TUCS Equity Median</i>		-9.7	-6.0	6.1	13.4	5.6

## Commentary

- ◆ The System's U.S. equity portfolio generated a return of -9.6% for the quarter and lagged its custom benchmark, the S&P 500 ex-Tobacco Index. While the portfolio has also slightly trailed over the one-year period, it continues to track closely to its custom benchmark over all longer periods shown.

## International Equity Performance

### Total International Equity Performance Periods Ended March 31, 2008

	<u>Market Value</u>	<u>Qtr</u>	<u>One Year</u>	<u>Three Year</u>	<u>Five Year</u>	<u>Ten Year</u>
LRS International	\$13.8 mil	-8.8%	-0.3%	14.1%	22.2%	6.7%
<i>Custom Benchmark</i> <sup>71</sup>		-8.7	-0.3	14.1	21.9	6.4

## Commentary

- ◆ The System's international equity portfolio returned -8.8% and produced a slight negative tracking error relative to its custom benchmark, the FTSE Developed World ex-U.S. & Tobacco Index in the first quarter. The portfolio has, however, added value over the longer-term periods.

<sup>70</sup> A custom tobacco-free S&P 500 is used as the benchmark for the U.S. equity segment of LRS starting with the February 2001 performance. Prior of that the benchmark was the S&P 500 Index.

<sup>71</sup> Effective October 1, 2006, the benchmark is the FTSE Developed World ex-U.S. & Tobacco Index. Prior of that the benchmark was the MSCI EAFE Index (Net).



## Total Fixed Income

### Total Fixed Income Performance Periods Ended March 31, 2008

	<b>Market Value</b>	<b>Qtr</b>	<b>One Year</b>	<b>Three Year</b>	<b>Five Year</b>	<b>Ten Year</b>
<b>LRS Fixed Income</b>	\$73.0 mil	1.0%	6.7%	5.5%	4.8%	6.1%
<i>Custom Benchmark</i> <sup>72</sup>		2.0	7.7	5.8	5.3	6.6
<b>LRS TIPS</b>	\$8.8 mil	5.5	14.3	5.4	-.-	-.-
<i>Custom Benchmark</i> <sup>73</sup>		5.2	14.5	6.5	-.-	-.-

## Commentary

- ◆ The LRS fixed income portfolio returned 1.0% for the quarter and underperformed its custom benchmark, the Lehman Long Liability Index. The portfolio has also lagged its benchmark for all other periods shown above.
- ◆ The System's TIPS portfolio generated a return of 5.5%, beating its custom benchmark, the Lehman Brothers U.S. TIPS Index, for the quarter, but has underperformed over the one-year and three-year periods.

<sup>72</sup> The current benchmark is the Lehman Long Liability Index. Lehman Long Liability ex TIPS was used as the benchmark between June 2005 and May 2007. Prior of that the benchmark was Citigroup LPF.

<sup>73</sup> The current benchmark is the Lehman Brother U.S. TIPS Index. Prior of July 2007 the benchmark was the Lehman Long Liability TIPS Index.

## **Annuitants Healthcare Plan**



## Annuitants HealthCare

### Asset Allocation

Asset Class	Actual	Policy	Difference
US Equity	27.8%	35.0%	-7.2%
International Equity	23.3	29.0	-5.7
US Bonds	16.4	20.0	-3.6
High Yield	4.1	6.0	-1.9
REITS	8.2	10.0	-1.8
Cash Equivalents	<u>20.2</u>	<u>0.0</u>	<u>+20.2</u>
	100.0	100.0	0.0

### Total Fund Performance Results

#### Total Fund Performance Periods Ended March 31, 2008

	Market Value	Qtr	One Year	Three Year	Five Year	Ten Year
<b>Total Fund</b>	\$213.6mil	-4.5%	-.-%	-.-%	-.-%	-.-%
<i>Benchmark</i>		-5.4	-.-%	-.-%	-.-%	-.-%
<b>Domestic Equity</b>	59.4 mil	-9.6%	-.-%	-.-%	-.-%	-.-%
<i>Benchmark</i>		-9.5	-.-%	-.-%	-.-%	-.-%
<b>International Equity</b>	49.8 mil	-8.8%	-.-%	-.-%	-.-%	-.-%
<i>Benchmark</i>		-8.7	-.-%	-.-%	-.-%	-.-%
<b>REITS</b>	17.5 mil	3.3%	-.-%	-.-%	-.-%	-.-%
<i>Benchmark</i>		2.1	-.-%	-.-%	-.-%	-.-%
<b>Fixed Income</b>	35.1 mil	1.0%	-.-%	-.-%	-.-%	-.-%
<i>Benchmark</i>		2.0	-.-%	-.-%	-.-%	-.-%
<b>Health care Bond Fund</b>	0.4 mil	1.4%	-.-%	-.-%	-.-%	-.-%
<i>Lehman Brothers Aggregate</i>		2.2	-.-%	-.-%	-.-%	-.-%
<b>High Yield</b>	8.8 mil	-3.9	-.-%	-.-%	-.-%	-.-%
<b>Cash</b>	43.1 mil	-.-%	-.-%	-.-%	-.-%	-.-%



## **Supplemental Income Plans**



## Supplemental Income Plan Performance

### Total Fund Performance Results- Supplemental Contribution Plan

Periods Ended March 31, 2008

	<b>Market Value</b>	<b>Qtr</b>	<b>One Year</b>	<b>Three Year</b>	<b>Five Year</b>
<b>Total Fund</b>	\$19.9mil	-6.7%	-0.8%	7.6%	11.4%
<i>Weighted Policy</i>		-6.1	-0.6	7.3	11.4
<b>SCP Equity Fund</b>	\$10.2 mil	-9.6	-5.4	5.7	11.1
<i>PERS S&amp;P 500</i>		-9.5	-5.3	5.6	11.1
<b>SCP International Fund</b>	\$3.8 mil	-8.9	-0.4	14.1	21.9
<i>Custom Benchmark</i>		-8.7	-0.3	14.1	21.9
<b>SCP Fixed Fund</b>	\$5.5 mil	1.0	6.6	8.9	7.0
<i>Custom Benchmark</i>		2.0	7.7	5.1	4.3
<b>SCP Short Term Fund</b>	\$0.5 mil	1.0	4.8	3.9	2.8
<b>International index</b>	\$208 thous	-8.8	--	--	--
<i>FTSE Developed World Ex-US</i>		-8.7	--	--	--
<b>Small/Mid Equity Index</b>	91.5 thous	-9.4	--	--	--
<i>Russell 2500</i>		-9.4	--	--	--
<b>SSgA Age-Based 2010</b>	8.0 thous	-3.4	--	--	--
<i>Custom SSgA Index</i>		-3.7	--	--	--
<b>SSgA Age-Based 2020</b>	7.6 thous	-5.9	--	--	--
<i>Custom SSgA Index</i>		-6.0	--	--	--
<b>SSgA International Alpha Select</b>	8.2 thous	-7.7	--	--	--
<i>MSCI EAFE Index</i>		-8.9	--	--	--
<b>TIPS Securities Fund</b>	97.4 thous	5.4	--	--	--
<i>Lehman TIPS Index</i>		5.2	--	--	--
<b>Total Return Bond Fund</b>	1.2 thous	1.4	--	--	--
<i>Lehman Government 1-3 Years</i>		3.0	--	--	--
<b>Turner Large Cap Growth</b>	44.0 thous	-16.1	--	--	--
<i>Russell 1000 Growth</i>		-10.2	--	--	--



<b>Aggressive Asset Allocation</b>	5.1 thous	-7.5	-.-	-.-	-.-
<i>SSgA Growth Index</i>		-7.1	-.-	-.-	-.-
<b>S&amp;P 500 Equity Index Fund</b>	652.5 thous	-9.5	-.-	-.-	-.-
<i>S&amp;P 500 Index</i>		-9.4	-.-	-.-	-.-
<b>SSgA AgeBased Income</b>	59.2 thous	-.-	-.-	-.-	-.-
<i>SSgA Income Custom Index</i>		-.-	-.-	-.-	-.-
<b>Moderate Asset Allocation Fund</b>	29.2 thous	-.-	-.-	-.-	-.-
<i>SSgA Balanced Growth index</i>		-.-	-.-	-.-	-.-
<b>Alliance Bernstein Large Cap</b>	34.7 thous	-.-	-.-	-.-	-.-
<i>Russell 1000 Value</i>		-.-	-.-	-.-	-.-
<b>Stable Fixed Income</b>	195.1 thous	-.-	-.-	-.-	-.-
<i>LB Government 1-3 Year index</i>		-.-	-.-	-.-	-.-



**CalPERS Deferred Compensation Plan**  
**Historical Performance**  
**Periods Ended March 31, 2008**

	<b>Market Value</b>	<b>Qtr</b>	<b>One Year</b>	<b>Three Year</b>	<b>Five Year</b>	<b>Ten Year</b>
U.S. Equity Option	\$126.8 mil	-9.5%	-4.9%	6.0%	11.4%	3.4%
Custom S&P 500 Index		-9.4	-5.1	5.9	11.3	3.5

**CalPERS 457 Program Net Funds**  
**Periods Ended March 31, 2008**

	<b>Market Value</b>	<b>Qtr</b>	<b>One Year</b>	<b>Three Year</b>	<b>Five Year</b>	<b>Ten Year</b>
<b>SSgA Stable Fixed Income</b>	\$137.0 mil	0.9	4.1	4.1	4.0	4.6
<i>Lehman Bros Government 1-3</i>		3.0	8.8	5.4	3.7	5.0
<b>S&amp;P 500 Equity Fund</b>	119.8 mil	-9.6	-5.2	5.6	11.0	3.1
<i>S&amp;P 500 Index</i>		-9.4	-5.1	5.9	11.3	3.5
<b>Conservative Asset Allocation</b>	23.5 mil	-2.8	1.3	5.4	7.5	4.5
<i>Benchmark</i>		-2.6	2.4	6.2	8.1	5.6
<b>Moderate Asset Allocation</b>	90.4 mil	-5.2	-1.2	6.1	9.7	4.3
<i>Benchmark</i>		-4.9	-0.2	6.7	10.1	5.3
<b>Aggressive Asset Allocation</b>	35.3 mil	-7.5	-3.9	6.4	11.5	3.5
<i>Benchmark</i>		-7.1	-2.8	7.2	12.0	4.9
<b>Alliance Bernstein Large Cap</b>	1.1 mil	-10.7	--	--	--	--
<i>Russell 1000 Value</i>		-8.7				
<b>Turner Large Cap Growth</b>	39.8 mil	-16.2	--	--	--	--
<i>Russell 1000 Growth</i>		-10.2				
<b>Small/Mid Equity Index</b>	83.9 mil	-9.5	--	--	--	--
<i>Russell 2500 Index</i>		-9.4				
<b>Total Return Bond Fund</b>	32.1 mil	1.3	--	--	--	--
<i>Lehman Brothers Aggregate</i>		2.2				
<b>TIPs Securities</b>	8.0 mil	5.3	--	--	--	--
<i>Lehman Brothers US Tips</i>		5.2				
<b>SSgA Age-Based Income</b>	3.1 mil	-1.6	--	--	--	--
<i>Custom Index</i>		-1.6				
<b>SSgA Age Based 2010</b>	5.2 mil	-3.4	--	--	--	--
<i>Custom Index</i>		-3.7				
<b>SSgA Age Based 2020</b>	4.8 mil	-5.9	--	--	--	--
<i>Custom Index</i>		-6.0				
<b>SSgA Age Based 2030</b>	1.7 mil	-7.5	--	--	--	--
<i>Custom Index</i>		-7.5				



CalPERS  
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<b>SSgA Age Based 2040</b>	0.9 mil	-8.2	-.-	-.-	-.-	-.-
<i>Custom Index</i>		-8.0				
<b>International Index</b>	6.6 mil	-8.9				
<i>Custom Index</i>		-8.7				
<b>SSga Interational Alpha Select</b>	36.9 mil	-7.8				
<i>Custom Index</i>		-8.9				

**CalPERS Peace Officers & Fire Fighters Defined Contribution Plan Account**  
**Periods Ended March 31, 2008**

	<b>Market Value</b>	<b>Qtr</b>	<b>One Year</b>	<b>Three Year</b>	<b>Five Year</b>	<b>Ten Year</b>
<b>SSgA Balanced Growth Fund</b>	\$340.0 mil	-5.3%	-1.8%	5.8%	9.4%	-.-
<i>Index</i>		-4.8	-0.2	6.7	10.1	



## **APPENDIX for Supplemental**



**CalPERS 457 Program Custom Funds for the City of Anaheim**  
**Periods Ended March 31, 2008**

	<b>Market Value</b>	<b>Qtr</b>	<b>One Year</b>	<b>Three Year</b>	<b>Five Year</b>	<b>Ten Year</b>
<b>Stable Fixed Income Fund</b>	10.2 mil	0.9%	4.4%	4.4%	4.2%	4.9%
<i>Lehman Bros Government 1-3</i>		3.0	8.8	5.4	3.7	5.0
<b>Conservative Asset Allocation</b>	0.0 mil	-2.7	-.	-.	-.	-.
<i>SSgA Income and Growth index</i>		-2.6	-.	-.	-.	-.
<b>Moderate Asset Allocation</b>	0.2 mil	-5.1	-.	-.	-.	-.
<i>SSgA Balanced Growth Index</i>		-4.9	-.	-.	-.	-.
<b>Aggressive Asset Allocation</b>	0.0 mil	-7.5	-.	-.	-.	-.
<i>SSgA Growth Index</i>		-7.1	-.	-.	-.	-.
<b>CalPERS S&amp;P 500 Index Fund</b>	6.3 mil	-9.5	-5.0	5.9	11.3	3.5
<i>S&amp;P 500</i>		-9.4	-5.1	5.9	11.3	3.5
<b>Small/Mid Equity Index</b>	2.4 mil	-9.5	-.	-.	-.	-.
<i>Russell 2500</i>		-9.4	-.	-.	-.	-.
<b>Total Return Bond Fund</b>	1.4 mil	1.3	-.	-.	-.	-.
<i>Lehman Aggregate Bond</i>		2.2	-.	-.	-.	-.
<b>TIPS Securities</b>	0.1mil	5.3	-.	-.	-.	-.
<i>Lehman US TIPS</i>		5.2	-.	-.	-.	-.
<b>SSgA Age Based Income Fund</b>	2.2 mil	-1.6	3.5			
<i>Benchmark</i>		-1.6	3.4			
<b>SSgA Age Based 2010</b>	2.6 mil	-3.4	1.9	-.	-.	-.
<i>Benchmark</i>		-3.7	2.0	-.	-.	-.
<b>SSgA Age Based 2020</b>	1.8 mil	-5.9	-0.6	-.	-.	-.
<i>Benchmark</i>		-6.0	-0.2	-.	-.	-.
<b>SSgA Age Based 2030</b>	0.8 mil	-7.5	-2.4	-.	-.	-.
<i>Benchmark</i>		-7.5	-2.0	-.	-.	-.
<b>SSgA Age Based 2040</b>	0.2 mil	-8.1	-3.0	-.	-.	-.
<i>Benchmark</i>		-8.0	-2.5	-.	-.	-.
<b>International Index</b>	0.6 mil	-8.9	-.	-.	-.	-.
<i>FTSE Developed World Ex-US</i>		-8.7	-.	-.	-.	-.
<b>SSgA International Alpha Select</b>	1.8mil	-7.7	-.	-.	-.	-.



<b>MSCI EAFE Index</b>		-8.9	-.-	-.-	-.-	-.-
<b>Alliance Bernstein Large Cap</b>	0.5 mil	-10.7	-.-	-.-	-.-	-.-
<i>Russell 1000 Value</i>		-8.7	-.-	-.-	-.-	-.-
<b>Turner Large Cap Growth</b>	2.7 mil	-16.2	-.-	-.-	-.-	-.-
<i>Russell 1000 Growth</i>		-10.2	-.-	-.-	-.-	-.-
<b>Mid Cap Equity</b>	0.3 mil	-7.8	-9.1	-.-	-.-	-.-
<i>Russell Mid Cap Index</i>		-10.0	-8.9	-.-	-.-	-.-
<b>Mid Cap Select</b>	0.4 mil	-11.3	0.5	-.-	-.-	-.-
<i>Russell Mid Cap Index</i>		-10.0	-8.9	-.-	-.-	-.-
<b>Small Cap Growth Fund</b>	3.3 mil	-12.0	-5.2	-.-	-.-	-.-
<i>Russell 2000 Growth</i>		-12.8	-8.9	-.-	-.-	-.-
<b>Passive Bond Market Index</b>	0.4 mil	2.3	7.8	-.-	-.-	-.-
<i>Leman Brothers Index</i>		2.2	7.7	-.-	-.-	-.-



## **APPENDIX for PERF**



## External Manager Performance Review Domestic Equity - Core

Active External Mainstream Mgrs	Market Value	Qtr	1 Year	3 Year	5 Year	Incept.	Date
	3.2	-11.7%	-6.0%	6.2%	12.5%	4.3%	6/98
<b>Domestic External Core</b>							
Markston Large Cap Core	<b>0.0</b>	-.-%	-.-%	-.-%	-.-%	-.-%	3/08
Custom Benchmark		-.-%	-.-%	-.-%	-.-%	-.-%	
Value Added		-.-%	-.-%	-.-%	-.-%	-.-%	
Performance Objective		-.-%	-.-%	-.-%	-.-%	-.-%	
Value Added		-.-%	-.-%	-.-%	-.-%	-.-%	
Oakbrook Large Cap Core	<b>0.0</b>	-.-%	-.-%	-.-%	-.-%	-.-%	3/08
Custom Benchmark		-.-%	-.-%	-.-%	-.-%	-.-%	
Value Added		-.-%	-.-%	-.-%	-.-%	-.-%	
Performance Objective		-.-%	-.-%	-.-%	-.-%	-.-%	
Value Added		-.-%	-.-%	-.-%	-.-%	-.-%	
OakbrookMidcap Core	<b>0.0</b>	-.-%	-.-%	-.-%	-.-%	-.-%	3/08
Custom Benchmark		-.-%	-.-%	-.-%	-.-%	-.-%	
Value Added		-.-%	-.-%	-.-%	-.-%	-.-%	
Performance Objective		-.-%	-.-%	-.-%	-.-%	-.-%	
Value Added		-.-%	-.-%	-.-%	-.-%	-.-%	
Piedmont Large Cap Core (MDP II)	<b>0.2</b>	-11.7%	-6.5%	-.-%	-.-%	-6.5%	3/07
Custom Benchmark		-9.6%	-5.1%	-.-%	-.-%	-5.1%	
Value Added		-2.1%	-1.4%	-.-%	-.-%	-1.4%	
Performance Objective		-9.3%	-4.1%	-.-%	-.-%	-4.1%	
Value Added		-2.4%	-2.4%	-.-%	-.-%	-2.4%	
Profit Small Cap Core	<b>0.2</b>	-.-%	-.-%	-.-%	-.-%	-.-%	3/08
Custom Benchmark		-.-%	-.-%	-.-%	-.-%	-.-%	
Value Added		-.-%	-.-%	-.-%	-.-%	-.-%	
Performance Objective		-.-%	-.-%	-.-%	-.-%	-.-%	
Value Added		-.-%	-.-%	-.-%	-.-%	-.-%	
Quotient Large Core (MDP II)	<b>0.1</b>	-.-%	-.-%	-.-%	-.-%	-.-%	3/08
Custom Benchmark		-.-%	-.-%	-.-%	-.-%	-.-%	
Value Added		-.-%	-.-%	-.-%	-.-%	-.-%	
Performance Objective		-.-%	-.-%	-.-%	-.-%	-.-%	
Value Added		-.-%	-.-%	-.-%	-.-%	-.-%	
Quotient Small Core (MDP II)	<b>0.1</b>	-.-%	-.-%	-.-%	-.-%	-.-%	3/08
Custom Benchmark		-.-%	-.-%	-.-%	-.-%	-.-%	
Value Added		-.-%	-.-%	-.-%	-.-%	-.-%	
Performance Objective		-.-%	-.-%	-.-%	-.-%	-.-%	
Value Added		-.-%	-.-%	-.-%	-.-%	-.-%	
Smith Asset Large Cap (MDP)	<b>0.2</b>	-13.1%	-3.3%	8.3%	-.-%	8.8%	12/03
Custom Benchmark		-9.6%	-5.1%	5.9%	-.-%	6.1%	
Value Added		-3.5%	1.8%	2.4%	-.-%	2.7%	
Performance Objective		-9.1%	-3.1%	7.9%	-.-%	8.1%	
Value Added		-4.0%	-0.2%	0.4%	-.-%	0.7%	



## Domestic Equity – Long/Short

<b>Long/Short</b>	<b>Market Value</b>	<b>Qtr</b>	<b>1 Year</b>	<b>3 Year</b>	<b>5 Year</b>	<b>Incept.</b>	<b>Date</b>
<b>Long/Short Funds</b>	<b>2.9</b>	-10.4%	-.%	-.%	-.%	-14.3%	6/07
Analytic Investors	0.9	-10.6%	-.%	-.%	-.%	-12.7%	6/07
<i>Russell 1000 Ex-Tobacco, Ex-REIT</i>		-9.6%	-.%	-.%	-.%	-10.8%	
<i>Value Added</i>		-1.0%	-.%	-.%	-.%	-1.9%	
<i>Performance Objective</i>		-8.9%	-.%	-.%	-.%	-8.5%	
<i>Value Added</i>		-1.7%	-.%	-.%	-.%	-4.2%	
First Quadrant	0.5	-.%	-.%	-.%	-.%	-.%	3/08
<i>Benchmark</i>		-.%	-.%	-.%	-.%	-.%	
<i>Value Added</i>		-.%	-.%	-.%	-.%	-.%	
<i>Performance Objective</i>		-.%	-.%	-.%	-.%	-.%	
<i>Value Added</i>		-.%	-.%	-.%	-.%	-.%	
JP Morgan	0.5	-.%	-.%	-.%	-.%	-.%	3/08
<i>Benchmark</i>		-.%	-.%	-.%	-.%	-.%	
<i>Value Added</i>		-.%	-.%	-.%	-.%	-.%	
<i>Performance Objective</i>		-.%	-.%	-.%	-.%	-.%	
<i>Value Added</i>		-.%	-.%	-.%	-.%	-.%	
Quantitative Long/Short	1.0	-9.7%	-.%	-.%	-.%	-12.8%	6/07
<i>Russell 1000 Ex-Tobacco, Ex-REIT</i>		-9.6%	-.%	-.%	-.%	-10.8%	
<i>Value Added</i>		-0.1%	-.%	-.%	-.%	-2.0%	
<i>Performance Objective</i>		-9.0%	-.%	-.%	-.%	-8.9%	
<i>Value Added</i>		-0.7%	-.%	-.%	-.%	-3.9%	



## External Manager Performance Review (continued)

### Domestic Equity – Growth

Active External Mgrs	Market Value 3.2	Qtr -11.7%	1 Year -6.0%	3 Year 6.2%	5 Year 12.5%	Incept. 4.3%	Date 6/98
<b>Domestic External Growth</b>							
AH Lisanti Small Cap Growth	<b>0.0</b>	-.-%	-.-%	-.-%	-.-%	-.-%	3/08
<i>Custom Benchmark</i>		-.-%	-.-%	-.-%	-.-%	-.-%	
<i>Value Added</i>		-.-%	-.-%	-.-%	-.-%	-.-%	
<i>Performance Objective</i>		-.-%	-.-%	-.-%	-.-%	-.-%	
<i>Value Added</i>		-.-%	-.-%	-.-%	-.-%	-.-%	
Credo Mid Growth	<b>0.0</b>	-.-%	-.-%	-.-%	-.-%	-.-%	3/08
<i>Custom Benchmark</i>		-.-%	-.-%	-.-%	-.-%	-.-%	
<i>Value Added</i>		-.-%	-.-%	-.-%	-.-%	-.-%	
<i>Performance Objective</i>		-.-%	-.-%	-.-%	-.-%	-.-%	
<i>Value Added</i>		-.-%	-.-%	-.-%	-.-%	-.-%	
Cupps Small Growth	<b>0.0</b>	-.-%	-.-%	-.-%	-.-%	-.-%	3/08
<i>Custom Benchmark</i>		-.-%	-.-%	-.-%	-.-%	-.-%	
<i>Value Added</i>		-.-%	-.-%	-.-%	-.-%	-.-%	
<i>Performance Objective</i>		-.-%	-.-%	-.-%	-.-%	-.-%	
<i>Value Added</i>		-.-%	-.-%	-.-%	-.-%	-.-%	
DSM Large Growth	<b>0.0</b>	-.-%	-.-%	-.-%	-.-%	-.-%	3/08
<i>Custom Benchmark</i>		-.-%	-.-%	-.-%	-.-%	-.-%	
<i>Value Added</i>		-.-%	-.-%	-.-%	-.-%	-.-%	
<i>Performance Objective</i>		-.-%	-.-%	-.-%	-.-%	-.-%	
<i>Value Added</i>		-.-%	-.-%	-.-%	-.-%	-.-%	
Logan Large Growth	<b>0.0</b>	-.-%	-.-%	-.-%	-.-%	-.-%	3/08
<i>Custom Benchmark</i>		-.-%	-.-%	-.-%	-.-%	-.-%	
<i>Value Added</i>		-.-%	-.-%	-.-%	-.-%	-.-%	
<i>Performance Objective</i>		-.-%	-.-%	-.-%	-.-%	-.-%	
<i>Value Added</i>		-.-%	-.-%	-.-%	-.-%	-.-%	
Marvin & Palmer Large Cap Growth	<b>0.7</b>	-17.1%	5.4%	-.-%	-.-%	4.1%	12/06
<i>Custom Benchmark</i>		-10.3%	-0.8%	-.-%	-.-%	0.3%	
<i>Value Added</i>		-6.8%	6.2%	-.-%	-.-%	3.8%	
<i>Performance Objective</i>		-9.9%	0.8%	-.-%	-.-%	1.8%	
<i>Value Added</i>		-7.2%	4.6%	-.-%	-.-%	2.3%	
Mastrapasqua Large Growth	<b>0.0</b>	-.-%	-.-%	-.-%	-.-%	-.-%	3/08
<i>Custom Benchmark</i>		-.-%	-.-%	-.-%	-.-%	-.-%	
<i>Value Added</i>		-.-%	-.-%	-.-%	-.-%	-.-%	
<i>Performance Objective</i>		-.-%	-.-%	-.-%	-.-%	-.-%	
<i>Value Added</i>		-.-%	-.-%	-.-%	-.-%	-.-%	
Mindshare Small Growth	<b>0.0</b>	-.-%	-.-%	-.-%	-.-%	-.-%	3/08
<i>Custom Benchmark</i>		-.-%	-.-%	-.-%	-.-%	-.-%	
<i>Value Added</i>		-.-%	-.-%	-.-%	-.-%	-.-%	
<i>Performance Objective</i>		-.-%	-.-%	-.-%	-.-%	-.-%	
<i>Value Added</i>		-.-%	-.-%	-.-%	-.-%	-.-%	





## External Manager Performance Review (continued)

### Domestic Equity – Growth (continued)

	<u>Market Value</u>	<u>Qtr</u>	<u>1 Year</u>	<u>3 Year</u>	<u>5 Year</u>	<u>Incept.</u>	<u>Date</u>
<b>Active External Mgrs</b>	<b>3.2</b>	<b>-11.7%</b>	<b>-6.0%</b>	<b>6.2%</b>	<b>12.5%</b>	<b>4.3%</b>	<b>6/98</b>
<b>Domestic External Growth (continued)</b>							
Redwood Large Growth (MDP II)	<b>0.2</b>	-.-%	-.-%	-.-%	-.-%	-.-%	3/08
<i>Custom Benchmark</i>		-.-%	-.-%	-.-%	-.-%	-.-%	
<i>Value Added</i>		-.-%	-.-%	-.-%	-.-%	-.-%	
<i>Performance Objective</i>		-.-%	-.-%	-.-%	-.-%	-.-%	
<i>Value Added</i>		-.-%	-.-%	-.-%	-.-%	-.-%	
Redwood Large Growth- LEIA	<b>0.0</b>	-.-%	-.-%	-.-%	-.-%	-.-%	3/08
<i>Custom Benchmark</i>		-.-%	-.-%	-.-%	-.-%	-.-%	
<i>Value Added</i>		-.-%	-.-%	-.-%	-.-%	-.-%	
<i>Performance Objective</i>		-.-%	-.-%	-.-%	-.-%	-.-%	
<i>Value Added</i>		-.-%	-.-%	-.-%	-.-%	-.-%	
Rigel - Large Growth (MDP)	<b>0.2</b>	-9.5%	5.8%	7.7%	-.-%	8.0%	12/03
<i>Custom Benchmark</i>		-10.3%	-0.8%	6.3%	-.-%	4.9%	
<i>Value Added</i>		0.8%	6.6%	1.4%	-.-%	3.1%	
<i>Performance Objective</i>		-9.8%	1.3%	8.3%	-.-%	6.9%	
<i>Value Added</i>		0.3%	4.5%	-0.6%	-.-%	1.1%	
Rushmore Large Growth	<b>0.0</b>	-.-%	-.-%	-.-%	-.-%	-.-%	3/08
<i>Custom Benchmark</i>		-.-%	-.-%	-.-%	-.-%	-.-%	
<i>Value Added</i>		-.-%	-.-%	-.-%	-.-%	-.-%	
<i>Performance Objective</i>		-.-%	-.-%	-.-%	-.-%	-.-%	
<i>Value Added</i>		-.-%	-.-%	-.-%	-.-%	-.-%	
Stux (MDP)	<b>0.3</b>	-8.7%	-4.0%	6.8%	-.-%	6.6%	3/04
<i>Custom Benchmark</i>		-9.6%	-5.2%	6.3%	-.-%	6.5%	
<i>Value Added</i>		0.9%	1.2%	0.5%	-.-%	0.1%	
<i>Performance Objective</i>		-9.3%	-3.7%	7.8%	-.-%	8.0%	
<i>Value Added</i>		0.6%	-0.3%	-1.0%	-.-%	-1.4%	
Turner Large Cap Growth	<b>0.8</b>	-15.4%	1.7%	-.-%	-.-%	3.3%	12/06
<i>Custom Benchmark</i>		-10.3%	-0.8%	-.-%	-.-%	0.3%	
<i>Value Added</i>		-5.1%	2.5%	-.-%	-.-%	3.0%	
<i>Performance Objective</i>		-9.9%	0.7%	-.-%	-.-%	1.8%	
<i>Value Added</i>		-5.5%	1.0%	-.-%	-.-%	1.5%	



## External Manager Performance Review (continued)

### Domestic Equity – Value

Active External Mainstream Mgrs	Market Value	Qtr	1 Year	3 Year	5 Year	Incept.	Date
	3.2	-11.7%	-6.0%	6.2%	12.5%	4.3%	6/98
<b>Domestic External Value</b>							
Alliance Bernstein	<b>0.5</b>	-11.2%	-12.6%	5.3%	13.0%	9.1%	9/04
Custom Benchmark		-8.9%	-9.8%	6.0%	14.7%	6.3%	
Value Added		-2.3%	-2.8%	-0.7%	-1.7%	2.8%	
Performance Objective		-8.5%	-8.5%	7.3%	16.0%	7.5%	
Value Added		-2.7%	-4.1%	-2.0%	-3.0%	1.6%	
Atlanta Life Large Value	<b>0.0</b>	-.-%	-.-%	-.-%	-.-%	-.-%	3/08
Custom Benchmark		-.-%	-.-%	-.-%	-.-%	-.-%	
Value Added		-.-%	-.-%	-.-%	-.-%	-.-%	
Performance Objective		-.-%	-.-%	-.-%	-.-%	-.-%	
Value Added		-.-%	-.-%	-.-%	-.-%	-.-%	
The Boston Company	<b>0.5</b>	-7.3%	-2.7%	10.1%	17.4%	8.1%	6/98
Custom Benchmark		-8.9%	-9.8%	5.6%	13.9%	6.1%	
Value Added		1.6%	7.1%	4.5%	3.5%	2.0%	
Performance Objective		-8.5%	-8.5%	6.9%	15.2%	7.3%	
Value Added		1.2%	5.8%	3.2%	2.2%	0.8%	
Denali Advisors (MDP)	<b>0.1</b>	-11.6%	-9.9%	6.8%	14.4%	5.3%	6/01
Custom Benchmark		-8.9%	-7.8%	7.1%	14.7%	6.1%	
Value Added		-2.7%	-2.1%	-0.3%	-0.3%	-0.8%	
Performance Objective		-8.4%	-5.8%	9.1%	16.7%	8.1%	
Value Added		-3.2%	-4.1%	-2.3%	-2.3%	-2.8%	
Denali Mid Value	<b>0.1</b>	-15.3%	-.-%	-.-%	-.-%	-17.8%	9/07
Custom Benchmark		-9.1%	-.-%	-.-%	-.-%	-13.8%	
Value Added		-6.2%	-.-%	-.-%	-.-%	-4.0%	
Moody Aldrich All Cap Value	<b>0.0</b>	-.-%	-.-%	-.-%	-.-%	-.-%	3/08
Custom Benchmark		-.-%	-.-%	-.-%	-.-%	-.-%	
Value Added		-.-%	-.-%	-.-%	-.-%	-.-%	
Performance Objective		-.-%	-.-%	-.-%	-.-%	-.-%	
Value Added		-.-%	-.-%	-.-%	-.-%	-.-%	



## External Manager Performance Review (continued)

### Domestic Equity – Value (continued)

	<u>Market Value</u>	<u>Qtr</u>	<u>1 Year</u>	<u>3 Year</u>	<u>5 Year</u>	<u>Incept.</u>	<u>Date</u>
<b>Active External Mainstream Mgrs</b>	<b>3.2</b>	<b>-11.7%</b>	<b>-6.0%</b>	<b>6.2%</b>	<b>12.5%</b>	<b>4.3%</b>	<b>6/98</b>
<b>Value (continued)</b>							
Paradigm Alpha Max Large Value	<b>0.0</b>	-.-%	-.-%	-.-%	-.-%	-.-%	3/08
<i>Custom Benchmark</i>		-.-%	-.-%	-.-%	-.-%	-.-%	
<i>Value Added</i>		-.-%	-.-%	-.-%	-.-%	-.-%	
<i>Performance Objective</i>		-.-%	-.-%	-.-%	-.-%	-.-%	
<i>Value Added</i>		-.-%	-.-%	-.-%	-.-%	-.-%	
Phocas Small Value	<b>0.0</b>	-.-%	-.-%	-.-%	-.-%	-.-%	3/08
<i>Custom Benchmark</i>		-.-%	-.-%	-.-%	-.-%	-.-%	
<i>Value Added</i>		-.-%	-.-%	-.-%	-.-%	-.-%	
<i>Performance Objective</i>		-.-%	-.-%	-.-%	-.-%	-.-%	
<i>Value Added</i>		-.-%	-.-%	-.-%	-.-%	-.-%	
Pzena	<b>0.5</b>	-8.2%	-19.2%	2.4%	13.3%	11.9%	9/00
<i>Custom Benchmark</i>		-8.9%	-9.8%	6.1%	16.4%	9.0%	
<i>Value Added</i>		0.7%	-9.4%	-3.7%	-3.1%	2.9%	
<i>Performance Objective</i>		-8.5%	-8.5%	7.4%	17.6%	10.3%	
<i>Value Added</i>		0.3%	-10.7%	-5.0%	-4.3%	1.6%	
Shenandoah (MDP)	<b>0.2</b>	-9.9%	-7.5%	6.1%	15.2%	8.2%	3/01
<i>Custom Benchmark</i>		-10.3%	-8.0%	6.7%	14.9%	8.9%	
<i>Value Added</i>		0.4%	0.5%	-0.6%	0.3%	-0.7%	
<i>Performance Objective</i>		-9.8%	-6.0%	8.7%	16.9%	10.9%	
<i>Value Added</i>		-0.1%	-1.5%	-2.6%	-1.7%	-2.7%	
Smith Asset Small Cap (MDP)	<b>0.1</b>	-11.4%	-11.4%	3.3%	-.-%	7.0%	12/03
<i>Custom Benchmark</i>		-9.8%	-10.4%	5.9%	-.-%	7.0%	
<i>Value Added</i>		-1.6%	-1.0%	-2.6%	-.-%	0.0%	
<i>Performance Objective</i>		-9.1%	-7.9%	8.4%	-.-%	9.5%	
<i>Value Added</i>		-2.3%	-3.5%	-5.1%	-.-%	-2.5%	



## External Manager Performance Review (continued)

### Domestic Equity – Enhanced

	<u>Market Value</u>	<u>Qtr</u>	<u>1 Year</u>	<u>3 Year</u>	<u>5 Year</u>	<u>Incept.</u>	<u>Date</u>
<b>Total Domestic Ext. Enhanced</b>	<b>1.4</b>	<b>-9.6%</b>	<b>-9.1%</b>	<b>4.6%</b>	<b>-.%</b>	<b>6.1%</b>	<b>9/04</b>
Atlantic Asset Management	<b>0.3</b>	-24.2%	-21.4%	-0.8%	-.%	-1.6%	12/04
<i>Custom Benchmark</i>		-9.5%	-5.1%	5.9%	-.%	4.7%	
<i>Value Added</i>		-14.7%	-16.3%	-6.7%	-.%	-6.3%	
<i>Performance Objective</i>		-9.2%	-4.1%	6.9%	-.%	5.7%	
<i>Value Added</i>		-15.0%	-17.3%	-7.7%	-.%	-7.3%	
Golden Capital	<b>0.5</b>	-9.1%	-4.1%	-.%	-.%	-4.1%	3/07
<i>Custom Benchmark</i>		-9.6%	-5.1%	-.%	-.%	-5.1%	
<i>Value Added</i>		0.5%	1.0%	-.%	-.%	1.0%	
<i>Performance Objective</i>		-9.3%	-4.1%	-.%	-.%	-4.1%	
<i>Value Added</i>		0.2%	0.0%	-.%	-.%	0.0%	
INTECH	<b>0.5</b>	-10.2%	-6.1%	5.6%	-.%	7.6%	9/04
<i>Custom Benchmark</i>		-9.6%	-5.2%	6.0%	-.%	7.3%	
<i>Value Added</i>		-0.6%	-0.9%	-0.4%	-.%	0.3%	
<i>Performance Objective</i>		-9.4%	-4.2%	7.0%	-.%	8.3%	
<i>Value Added</i>		-0.8%	-1.9%	-1.4%	-.%	-0.7%	
Smith Breeden	<b>0.4</b>	-12.2%	-16.0%	1.7%	-.%	0.9%	12/04
<i>Custom Benchmark</i>		-9.5%	-5.1%	5.9%	-.%	4.7%	
<i>Value Added</i>		-2.7%	-10.9%	-4.2%	-.%	-3.8%	
<i>Performance Objective</i>		-9.2%	-4.1%	6.9%	-.%	5.7%	
<i>Value Added</i>		-3.0%	-11.9%	-5.2%	-.%	-4.8%	
T. Rowe Price	<b>0.5</b>	-9.2%	-4.4%	-.%	-.%	3.4%	3/06
<i>Custom Benchmark</i>		-9.6%	-5.1%	-.%	-.%	2.8%	
<i>Value Added</i>		0.4%	0.7%	-.%	-.%	0.6%	
<i>Performance Objective</i>		-9.3%	-3.8%	-.%	-.%	4.1%	
<i>Value Added</i>		0.1%	-0.6%	-.%	-.%	-0.7%	
WAMCO	<b>0.5</b>	-14.0%	-16.7%	1.6%	-.%	3.3%	9/04
<i>Custom Benchmark</i>		-9.5%	-5.1%	5.9%	-.%	7.0%	
<i>Value Added</i>		-4.5%	-11.6%	-4.3%	-.%	-3.7%	
<i>Performance Objective</i>		-9.2%	-4.1%	6.9%	-.%	8.0%	
<i>Value Added</i>		-4.8%	-12.6%	-5.3%	-.%	-4.7%	



## External Manager Performance Review (continued)

### Domestic Equity – MDP <sup>74</sup>

	<u>Market Value</u>	<u>Qtr</u>	<u>1 Year</u>	<u>3 Year</u>	<u>5 Year</u>	<u>Incept.</u>	<u>Date</u>
<b>Total Domestic MDP</b>	<b>1.0</b>	<b>-10.7%</b>	<b>-4.2%</b>	<b>6.3%</b>	<b>12.8%</b>	<b>3.4%</b>	<b>12/00</b>
<b>Total Domestic MDP II</b>	<b>0.5</b>	<b>-11.2%</b>	<b>-6.0%</b>	<b>-.%</b>	<b>-.%</b>	<b>-6.0%</b>	<b>3/07</b>
<b>Total Domestic MDP Ventures</b>	<b>0.0</b>	<b>11.1%</b>	<b>11.2%</b>	<b>167.8%</b>	<b>98.6%</b>	<b>61.0%</b>	<b>3/01</b>
Denali Advisors (MDP)	<b>0.1</b>	-11.6%	-9.9%	6.8%	14.4%	5.3%	6/01
<i>Custom Benchmark</i>		-8.9%	-7.8%	7.1%	14.7%	6.1%	
<i>Value Added</i>		-2.7%	-2.1%	-0.3%	-0.3%	-0.8%	
<i>Performance Objective</i>		-8.4%	-5.8%	9.1%	16.7%	8.1%	
<i>Value Added</i>		-3.2%	-4.1%	-2.3%	-2.3%	-2.8%	
Piedmont (MDP II)	<b>0.2</b>	-11.7%	-6.5%	-.%	-.%	-6.5%	3/07
<i>Custom Benchmark</i>		-9.6%	-5.1%	-.%	-.%	-5.1%	
<i>Value Added</i>		-2.1%	-1.4%	-.%	-.%	-1.4%	
<i>Performance Objective</i>		-9.3%	-4.1%	-.%	-.%	-4.1%	
<i>Value Added</i>		-2.4%	-2.4%	-.%	-.%	-2.4%	
Quotient Small Core (MDP II)	<b>0.1</b>	-.%	-.%	-.%	-.%	-.%	3/08
<i>Custom Benchmark</i>		-.%	-.%	-.%	-.%	-.%	
<i>Value Added</i>		-.%	-.%	-.%	-.%	-.%	
<i>Performance Objective</i>		-.%	-.%	-.%	-.%	-.%	
<i>Value Added</i>		-.%	-.%	-.%	-.%	-.%	
Quotient Large Core (MDP II)	<b>0.1</b>	-.%	-.%	-.%	-.%	-.%	3/08
<i>Custom Benchmark</i>		-.%	-.%	-.%	-.%	-.%	
<i>Value Added</i>		-.%	-.%	-.%	-.%	-.%	
<i>Performance Objective</i>		-.%	-.%	-.%	-.%	-.%	
<i>Value Added</i>		-.%	-.%	-.%	-.%	-.%	

<sup>74</sup>The MDP managers are listed by style elsewhere in this appendix.



## External Manager Performance Review (continued)

### Domestic Equity – MDP <sup>74</sup>

	<u>Market Value</u>	<u>Qtr</u>	<u>1 Year</u>	<u>3 Year</u>	<u>5 Year</u>	<u>Incept.</u>	<u>Date</u>
<b>Total Domestic MDP</b>	<b>1.0</b>	<b>-10.7%</b>	<b>-4.2%</b>	<b>6.3%</b>	<b>12.8%</b>	<b>3.4%</b>	<b>12/00</b>
<b>Total Domestic MDP II</b>	<b>0.5</b>	<b>-11.2%</b>	<b>-6.0%</b>	<b>-.%</b>	<b>-.%</b>	<b>-6.0%</b>	<b>3/07</b>
<b>Total Domestic MDP Ventures</b>	<b>0.0</b>	<b>11.1%</b>	<b>11.2%</b>	<b>167.8%</b>	<b>98.6%</b>	<b>61.0%</b>	<b>3/01</b>
Redwood Large Growth (MDP II)	<b>0.2</b>	-.%	-.%	-.%	-.%	-.%	3/08
<i>Custom Benchmark</i>		-.%	-.%	-.%	-.%	-.%	
<i>Value Added</i>		-.%	-.%	-.%	-.%	-.%	
<i>Performance Objective</i>		-.%	-.%	-.%	-.%	-.%	
<i>Value Added</i>		-.%	-.%	-.%	-.%	-.%	
Rigel - Large Growth (MDP)	<b>0.2</b>	-9.5%	5.8%	7.7%	-.%	8.0%	12/03
<i>Custom Benchmark</i>		-10.3%	-0.8%	6.3%	-.%	4.9%	
<i>Value Added</i>		0.8%	6.6%	1.4%	-.%	3.1%	
<i>Performance Objective</i>		-9.8%	1.3%	8.3%	-.%	6.9%	
<i>Value Added</i>		0.3%	4.5%	-0.6%	-.%	1.1%	
Shenandoah (MDP)	<b>0.2</b>	-9.9%	-7.5%	6.1%	15.2%	8.2%	3/01
<i>Custom Benchmark</i>		-10.3%	-8.0%	6.7%	14.9%	8.9%	
<i>Value Added</i>		0.4%	0.5%	-0.6%	0.3%	-0.7%	
<i>Performance Objective</i>		-9.8%	-6.0%	8.7%	16.9%	10.9%	
<i>Value Added</i>		-0.1%	-1.5%	-2.6%	-1.7%	-2.7%	
Smith Asset Large Cap (MDP)	<b>0.2</b>	-13.1%	-3.3%	8.3%	-.%	8.8%	
<i>Custom Benchmark</i>		-9.6%	-5.1%	5.9%	-.%	6.1%	
<i>Value Added</i>		-3.5%	1.8%	2.4%	-.%	2.7%	
<i>Performance Objective</i>		-9.1%	-3.1%	7.9%	-.%	8.1%	
<i>Value Added</i>		-4.0%	-0.2%	0.4%	-.%	0.7%	
Smith Asset Small Cap (MDP)	<b>0.1</b>	-11.4%	-11.4%	3.3%	-.%	7.0%	12/03
<i>Custom Benchmark</i>		-9.8%	-10.4%	5.9%	-.%	7.0%	
<i>Value Added</i>		-1.6%	-1.0%	-2.6%	-.%	0.0%	
<i>Performance Objective</i>		-9.1%	-7.9%	8.4%	-.%	9.5%	
<i>Value Added</i>		-2.3%	-3.5%	0.0%	-.%	-2.5%	
Stux (MDP)	<b>0.3</b>	-8.7%	-4.0%	6.8%	-.%	6.6%	3/04
<i>Custom Benchmark</i>		-9.6%	-5.2%	6.3%	-.%	6.5%	
<i>Value Added</i>		0.9%	1.2%	0.5%	-.%	0.1%	
<i>Performance Objective</i>		-9.3%	-3.7%	7.8%	-.%	8.0%	
<i>Value Added</i>		0.6%	-0.3%	-1.0%	-.%	-1.4%	

<sup>74</sup> The MDP managers are listed by style elsewhere in this appendix.



## External Manager Performance Review (continued)

### Domestic Equity – Corporate Governance

	Market Value	Qtr	1 Year	3 Year	5 Year	Incept	Date
<b>Total Domestic Corporate Governance</b>	<b>2.3</b>	<b>-8.3%</b>	<b>-16.4%</b>	<b>2.6%</b>	<b>14.2%</b>	<b>16.0%</b>	<b>12/98</b>
Blum Strategic Partners III	<b>0.1</b>	-19.4%	-18.3%	-.%	-.%	-1.8%	9/05
<i>Custom Benchmark</i>		1.9%	8.0%	-.%	-.%	8.0%	
<i>Value Added</i>		-21.3%	-26.3%	-.%	-.%	-9.8%	
Blum Strategic Partners II	<b>0.0</b>	-0.8%	-.%	-.%	-.%	-16.9%	6/07
<i>Custom Benchmark</i>		1.9%	-.%	-.%	-.%	5.9%	
<i>Value Added</i>		-2.7%	-.%	-.%	-.%	-22.8%	
Blum Strategic Partners IV	<b>0.1</b>	-25.1%	-.%	-.%	-.%	-25.1%	12/07
<i>Custom Benchmark</i>		1.9%	-.%	-.%	-.%	1.9%	
<i>Value Added</i>		-23.2%	-.%	-.%	-.%	-23.2%	
Breeden Partners	<b>0.5</b>	1.0%	-6.1%	-.%	-.%	3.3%	6/06
<i>Custom Benchmark</i>		-9.4%	-5.1%	-.%	-.%	4.3%	
<i>Value Added</i>		10.4%	-1.0%	-.%	-.%	-1.0%	
New Mountain Capital	<b>0.2</b>	-5.1%	-7.8%	-.%	-.%	-0.3%	12/05
<i>Custom Benchmark</i>		-9.4%	-5.1%	-.%	-.%	4.6%	
<i>Value Added</i>		4.3%	-2.7%	-.%	-.%	-4.9%	
Internal New Mountain Capital	<b>0.1</b>	-0.8%	8.4%	-.%	-.%	15.6%	12/2006
<i>Custom Benchmark</i>		-9.4%	-5.1%	-.%	-.%	-3.6%	
<i>Value Added</i>		8.6%	13.5%	-.%	-.%	19.2%	
Relational Investors	<b>0.8</b>	-11.8%	-25.6%	-1.1%	11.6%	14.4%	12/98
<i>Custom Benchmark</i>		-9.5%	-5.1%	5.9%	11.3%	2.4%	
<i>Value Added</i>		-2.3%	-20.5%	-7.0%	0.3%	12.0%	
Internal Relational	<b>0.3</b>	-2.8%	-4.0%	11.9%	23.1%	20.0%	12/02
<i>Custom Benchmark</i>		-9.5%	-5.1%	6.1%	11.9%	10.1%	
<i>Value Added</i>		6.7%	1.1%	5.8%	11.2%	9.9%	
Shamrock Partners	<b>0.1</b>	-14.8%	-20.3%	-0.1%	-.%	-0.1%	3/05
<i>Custom Benchmark</i>		-9.9%	-13.0%	5.1%	-.%	5.1%	
<i>Value Added</i>		-4.9%	-7.3%	-5.2%	-.%	-5.2%	

### RM ARS–Fund of Funds

	Market Value	Qtr	1 Year	3 Year	5 Year
<b>Total RM ARS Program</b>	<b>7.0</b>	<b>-4.8%</b>	<b>0.7%</b>	<b>8.4%</b>	<b>9.5%</b>
47 Degrees North Capital Fund of Emerging Funds	<b>0.2</b>	-1.9%	0.0%	-.%	-.%
Ermitage European Fund of Funds	<b>0.1</b>	-0.1%	0.7%	-.%	-.%
Europanel European Fund of Funds	<b>0.1</b>	0.0%	3.3%	-.%	-.%
KBC Asian Fund of Funds	<b>0.2</b>	-2.4%	2.3%	-.%	-.%
PAAMCO Fund of Emerging Funds	<b>0.1</b>	-3.2%	-.%	-.%	-.%
Rock Creek fund of Emerging Funds	<b>0.1</b>	-2.0%	-.%	-.%	-.%
SPARX Asian Fund of Funds	<b>0.1</b>	-2.7%	11.3%	-.%	-.%
UBS European Fund of Funds	<b>0.2</b>	-4.2%	-4.4%	-.%	-.%
Vision Asian Fund of Funds	<b>0.2</b>	-0.6%	12.5%	-.%	-.%



## External Manager Performance Review (continued)

### Domestic Equity – Environmental

	Market Value	Qtr	1 Year	3 Year	5 Year	Incept.	Date
<b>Total Environmental</b>	<b>0.3</b>	<b>-9.8%</b>	<b>-5.8%</b>	<b>4.4%</b>	<b>-.%</b>	<b>4.4%</b>	<b>3/05</b>
AXA Rosenberg	<b>0.1</b>	-11.5%	-6.1%	-.%	-.%	1.4%	3/06
<i>Custom Benchmark</i>		-9.6%	-5.2%	-.%	-.%	2.7%	
<i>Value Added</i>		-1.9%	-0.9%	-.%	-.%	-1.3%	
<i>Performance Objective</i>		-9.1%	-3.2%	-.%	-.%	4.7%	
<i>Value Added</i>		-2.4%	-2.9%	-.%	-.%	-3.3%	
New Amsterdam Partners	<b>0.1</b>	-7.0%	-1.9%	-.%	-.%	1.7%	3/06
<i>Custom Benchmark</i>		-9.6%	-5.2%	-.%	-.%	2.7%	
<i>Value Added</i>		2.6%	3.3%	-.%	-.%	-1.0%	
<i>Performance Objective</i>		-9.3%	-3.7%	-.%	-.%	4.2%	
<i>Value Added</i>		2.3%	1.8%	-.%	-.%	-2.5%	
SSgA Environmental	<b>0.1</b>	-9.7%	-9.0%	-.%	-.%	2.4%	6/06
<i>Custom Benchmark</i>		-9.6%	-5.1%	-.%	-.%	4.1%	
<i>Value Added</i>		-0.1%	-3.9%	-.%	-.%	-1.7%	





## External Manager Performance Review (continued)

### International Equity – Core ACWI

<b>Int'l Active Mainstream</b>	<b>Market Value 7.6</b>	<b>Qtr -9.2%</b>	<b>1 Year 1.1%</b>	<b>3 Year 15.9%</b>	<b>5 Year 22.8%</b>	<b>Incept. 7.3%</b>	<b>Date 6/89</b>
<b>Int'l External Core</b>							
Acadian Asset Management	<b>1.0</b>	-9.4%	1.5%	-.-%	-.-%	13.8%	12/05
<i>Custom Benchmark</i>		-8.9%	2.8%	-.-%	-.-%	14.4%	
<i>Value Added</i>		-0.5%	-1.3%	-.-%	-.-%	-0.6%	
<i>Performance Objective</i>		-8.4%	4.8%	-.-%	-.-%	16.4%	
<i>Value Added</i>		-1.0%	-3.3%	-.-%	-.-%	-2.6%	
Arrowstreet (Mainstream)	<b>1.0</b>	-8.1%	1.8%	17.4%	24.0%	24.0%	3/03
<i>Custom Benchmark</i>		-8.9%	2.8%	16.4%	23.8%	23.8%	
<i>Value Added</i>		0.8%	-1.0%	1.0%	0.2%	0.2%	
<i>Performance Objective</i>		-8.4%	4.8%	18.4%	25.8%	25.8%	
<i>Value Added</i>		0.3%	-3.0%	-1.0%	-1.8%	-1.8%	
Arrowstreet (MDP)	<b>0.2</b>	-8.2%	1.1%	17.1%	24.1%	8.4%	6/00
<i>Custom Benchmark</i>		-8.9%	2.8%	16.4%	23.8%	6.4%	
<i>Value Added</i>		0.7%	-1.7%	0.7%	0.3%	2.0%	
<i>Performance Objective</i>		-8.4%	4.8%	18.4%	25.8%	8.4%	
<i>Value Added</i>		0.2%	-3.7%	-1.3%	-1.7%	0.0%	
AQR Capital Management	<b>0.5</b>	-8.8%	-4.1%	-.-%	-.-%	10.2%	12/05
<i>Custom Benchmark</i>		-8.7%	-0.2%	-.-%	-.-%	12.9%	
<i>Value Added</i>		-0.1%	-3.9%	-.-%	-.-%	-2.7%	
<i>Performance Objective</i>		-8.2%	2.8%	-.-%	-.-%	14.9%	
<i>Value Added</i>		-0.6%	-6.9%	-.-%	-.-%	-4.7%	
QMA International	<b>0.5</b>	-9.7%	-1.5%	-.-%	-.-%	8.9%	3/06
<i>Custom Benchmark</i>		-8.7%	-0.2%	-.-%	-.-%	9.5%	
<i>Value Added</i>		-1.0%	-1.3%	-.-%	-.-%	-0.6%	
<i>Performance Objective</i>		-8.5%	0.8%	-.-%	-.-%	10.5%	
<i>Value Added</i>		-1.2%	-2.3%	-.-%	-.-%	-1.6%	



## External Manager Performance Review (continued)

### International Equity – Core Europe

	<u>Market Value</u>	<u>Qtr</u>	<u>1 Year</u>	<u>3 Year</u>	<u>5 Year</u>	<u>Incept.</u>	<u>Date</u>
<b>Int'l Active Mainstream</b>	<b>7.6</b>	<b>-9.2%</b>	<b>1.1%</b>	<b>15.9%</b>	<b>22.8%</b>	<b>7.3%</b>	<b>6/89</b>
<b>Int'l External Core Europe</b>							
AXA Rosenberg	<b>0.8</b>	-7.5%	-1.3%	16.1%	24.9%	11.6%	3/01
Custom Benchmark		-8.6%	1.2%	15.5%	23.5%	10.6%	
Value Added		1.1%	-2.5%	0.6%	1.4%	1.0%	
Performance Objective		-8.1%	3.2%	17.5%	25.5%	12.6%	
Value Added		0.6%	-4.5%	-1.4%	-0.6%	-1.0%	

### International Equity – Environmental

	<u>Market Value</u>	<u>Qtr</u>	<u>1 Year</u>	<u>3 Year</u>	<u>5 Year</u>	<u>Incept.</u>	<u>Date</u>
<b>Int'l Environmental</b>	<b>0.2</b>	<b>-8.7%</b>	<b>-3.5%</b>	<b>-.-%</b>	<b>-.-%</b>	<b>9.1%</b>	<b>3/06</b>
<b>Int'l Environmental</b>							
Brandywine	<b>0.1</b>	-10.8%	-6.4%	-.-%	-.-%	7.2%	6/06
Custom Benchmark		-8.7%	-0.2%	-.-%	-.-%	10.4%	
Value Added		-2.1%	-6.2%	-.-%	-.-%	-3.2%	
Performance Objective		-8.2%	1.8%	-.-%	-.-%	12.4%	
Value Added		-2.6%	-8.2%	-.-%	-.-%	-5.2%	
SSgA Environmental	<b>0.1</b>	-7.4%	-0.9%	-.-%	-.-%	11.6%	3/06
Custom Benchmark		-8.7%	-0.2%	-.-%	-.-%	9.5%	
Value Added		1.3%	-0.7%	-.-%	-.-%	2.1%	
Performance Objective		-8.2%	1.8%	-.-%	-.-%	11.5%	
Value Added		0.8%	-2.7%	-.-%	-.-%	0.1%	



## External Manager Performance Review (continued)

### International Equity – Growth & Value

<b>Int'l Active Mainstream</b>	<b>Market Value 7.6</b>	<b>Qtr -9.2%</b>	<b>1 Year 1.1%</b>	<b>3 Year 15.9%</b>	<b>5 Year 22.8%</b>	<b>Incept. 7.3%</b>	<b>Date 6/89</b>
<b>Int'l External Growth</b>							
Alliance Large Cap Growth	<b>0.7</b>	-11.2%	3.4%	-.-%	-.-%	12.7%	9/05
<i>Custom Benchmark</i>		-8.9%	2.8%	-.-%	-.-%	14.9%	
<i>Value Added</i>		-2.3%	0.6%	-.-%	-.-%	-2.2%	
<i>Performance Objective</i>		-8.4%	4.8%	-.-%	-.-%	16.9%	
<i>Value Added</i>		-2.8%	-1.4%	-.-%	-.-%	-4.2%	
Baillie Gifford	<b>1.0</b>	-7.8%	10.5%	21.3%	25.4%	13.2%	6/01
<i>Custom Benchmark</i>		-8.9%	2.8%	16.4%	23.8%	11.7%	
<i>Value Added</i>		1.1%	7.7%	4.9%	1.6%	1.5%	
<i>Performance Objective</i>		-8.4%	4.8%	18.4%	25.8%	13.7%	
<i>Value Added</i>		0.6%	5.7%	2.9%	-0.4%	-0.5%	
New Star Institutional Managers	<b>0.7</b>	-10.9%	1.0%	-.-%	-.-%	12.1%	9/05
<i>Custom Benchmark</i>		-8.9%	2.8%	-.-%	-.-%	14.9%	
<i>Value Added</i>		-2.0%	-1.8%	-.-%	-.-%	-2.8%	
<i>Performance Objective</i>		-8.4%	4.8%	-.-%	-.-%	16.9%	
<i>Value Added</i>		-2.5%	-3.8%	-.-%	-.-%	-4.8%	



## External Manager Performance Review (continued)

### International Equity – Growth & Value cont'd

<b>Int'l Active Mainstream</b>	<b>Market Value 7.6</b>	<b>Qtr -9.2%</b>	<b>1 Year 1.1%</b>	<b>3 Year 15.9%</b>	<b>5 Year 22.8%</b>	<b>Incept. 7.3%</b>	<b>Date 6/89</b>
<b>Int'l External Value ACWI</b>							
Alliance Strategic Value	<b>0.7</b>	-8.5%	-4.3%	-.%	-.%	14.1%	9/05
Custom Benchmark		-8.9%	2.8%	-.%	-.%	14.9%	
Value Added		0.4%	-7.1%	-.%	-.%	-0.8%	
Performance Objective		-8.4%	4.8%	-.%	-.%	16.9%	
Value Added		-0.1%	-9.1%	-.%	-.%	-2.8%	
Grantham, Mayo, Van Otterloo	<b>0.8</b>	-9.9%	-1.2%	14.2%	22.6%	13.5%	6/01
Custom Benchmark		-8.9%	2.8%	16.4%	23.8%	11.7%	
Value Added		-1.0%	-4.0%	-2.2%	-1.2%	1.8%	
Performance Objective		-8.3%	5.3%	18.8%	26.3%	14.2%	
Value Added		-1.6%	-6.5%	-4.6%	-3.7%	-0.7%	
Pyrford (MDP)	<b>0.1</b>	-5.6%	-0.4%	12.5%	20.1%	11.4%	12/01
Custom Benchmark		-8.7%	-0.2%	14.6%	22.5%	13.2%	
Value Added		3.1%	-0.2%	-2.1%	-2.4%	-1.8%	
Performance Objective		-8.2%	1.8%	16.6%	24.5%	15.2%	
Value Added		2.6%	-2.2%	-4.1%	-4.4%	-3.8%	
<b>Int'l External Value Pacific</b>							
Nomura	<b>0.5</b>	-11.7%	1.5%	14.5%	21.6%	5.3%	9/89
Custom Benchmark		-10.0%	-0.2%	14.0%	21.1%	1.5%	
Value Added		-1.7%	1.7%	0.5%	0.5%	3.8%	
Performance Objective		-9.5%	1.8%	16.0%	21.3%	3.5%	
Value Added		-2.2%	-0.3%	-1.5%	0.3%	1.8%	



## External Manager Performance Review (continued)

### International Equity – MDP<sup>75</sup>

	<u>Market Value</u>	<u>Qtr</u>	<u>1 Year</u>	<u>3 Year</u>	<u>5 Year</u>	<u>Incept.</u>	<u>Date</u>
<b>Total Int'l MDP</b>	<b>0.3</b>	<b>-7.3%</b>	<b>-0.9%</b>	<b>13.2%</b>	<b>19.9%</b>	<b>4.5%</b>	<b>6/00</b>
<b>Total Int'l MDP Ventures</b>	<b>0.0</b>	<b>1.8%</b>	<b>5.9%</b>	<b>61.9%</b>	<b>56.3%</b>	<b>30.2%</b>	<b>6/00</b>
Arrowstreet (MDP)	<b>0.2</b>	-8.2%	1.1%	17.1%	24.1%	8.4%	6/00
<i>Custom Benchmark</i>		-8.9%	2.8%	16.4%	23.8%	6.4%	
<i>Value Added</i>		0.7%	-1.7%	0.7%	0.3%	2.0%	
<i>Performance Objective</i>		-8.4%	4.8%	18.4%	25.8%	8.4%	
<i>Value Added</i>		0.2%	-3.7%	-1.3%	-1.7%	0.0%	
Pyrford (MDP)	<b>0.1</b>	-5.6%	-0.4%	12.5%	20.1%	11.4%	12/01
<i>Custom Benchmark</i>		-8.7%	-0.2%	14.6%	22.5%	13.2%	
<i>Value Added</i>		3.1%	-0.2%	-2.1%	-2.4%	-1.8%	
<i>Performance Objective</i>		-8.2%	1.8%	16.6%	24.5%	15.2%	
<i>Value Added</i>		2.6%	-2.2%	-4.1%	-4.4%	-3.8%	

<sup>75</sup> The MDP managers are also listed by style elsewhere in this appendix.



## International Equity – Emerging Markets

	<b>Market Value</b>	<b>Qtr</b>	<b>1 Year</b>	<b>3 Year</b>	<b>5 Year</b>	<b>Incept.</b>	<b>Date</b>
<b>Int'l Emerging Markets</b>	<b>5.8</b>	<b>-8.7%</b>	<b>18.6%</b>	<b>27.0%</b>	<b>36.5%</b>	<b>33.1%</b>	<b>9/02</b>
AllianceBernstein	<b>1.3</b>	-8.3%	15.3%	25.6%	38.0%	35.2%	9/02
Custom Benchmark		-9.8%	20.4%	28.3%	34.9%	31.7%	
Value Added		1.5%	-5.1%	-2.7%	3.1%	3.5%	
Performance Objective		-9.2%	22.9%	30.8%	37.4%	34.2%	
Value Added		0.9%	-7.6%	-5.2%	0.6%	1.0%	
Batterymarch	<b>0.6</b>	-10.8%	-.%	-.%	-.%	6.0%	6/07
Custom Benchmark		-9.8%	-.%	-.%	-.%	3.6%	
Value Added		-1.0%	-.%	-.%	-.%	2.4%	
DFA	<b>1.3</b>	-9.8%	18.8%	27.6%	36.6%	33.7%	9/02
Custom Benchmark		-9.8%	20.4%	28.3%	34.9%	31.7%	
Value Added		0.0%	-1.6%	-0.7%	1.7%	2.0%	
Performance Objective		-9.3%	22.4%	30.3%	36.9%	33.7%	
Value Added		-0.5%	-3.6%	-2.7%	-0.3%	0.0%	
Genesis	<b>1.4</b>	-7.5%	17.7%	26.4%	33.6%	29.6%	9/02
Custom Benchmark		-9.8%	20.4%	28.3%	34.9%	31.7%	
Value Added		2.3%	-2.7%	-1.9%	-1.3%	-2.1%	
Performance Objective		-9.2%	22.9%	30.8%	37.4%	34.2%	
Value Added		1.7%	-5.2%	-4.4%	-3.8%	-4.6%	
Lazard	<b>0.6</b>	-7.6%	-.%	-.%	-.%	-4.3%	9/07
Custom Benchmark		-9.8%	-.%	-.%	-.%	-6.3%	
Value Added		2.2%	-.%	-.%	-.%	2.0%	
Pictet	<b>0.6</b>	-9.3%	-.%	-.%	-.%	5.7%	6/07
Custom Benchmark		-9.8%	-.%	-.%	-.%	3.6%	
Value Added		0.5%	-.%	-.%	-.%	2.1%	



**External Manager Performance Review (continued)**  
**International Equity – Corporate Governance**

	<b>Market Value</b>	<b>Qtr</b>	<b>1 Year</b>	<b>3 Year</b>	<b>5 Year</b>	<b>Date</b>
<b>Total Int'l Corporate Governance</b>	<b>2.6</b>	<b>-10.0%</b>	<b>-13.3%</b>	<b>5.2%</b>	<b>19.6%</b>	<b>12/98</b>
Governance for Owners	<b>0.3</b>	-10.3%	-12.9%	-.-%	-.-%	12/06
<i>Custom Benchmark</i>		-8.6%	1.7%	-.-%	-.-%	
<i>Value Added</i>		-1.7%	-14.6%	-.-%	-.-%	
Internal Governance for Owners	<b>0.2</b>	-14.0%	-.-%	-.-%	-.-%	9/07
<i>Custom Benchmark</i>		-8.6%	-.-%	-.-%	-.-%	
<i>Value Added</i>		-5.4%	-.-%	-.-%	-.-%	
Hermes UK Focus	<b>0.3</b>	-13.3%	-23.7%	3.2%	18.7%	12/99
<i>Custom Benchmark</i>		-9.7%	-6.2%	11.5%	20.2%	
<i>Value Added</i>		-3.6%	-17.5%	-8.3%	-1.5%	
Hermes Europe Focus	<b>0.3</b>	-10.9%	-4.4%	18.2%	-.-%	9/03
<i>Custom Benchmark</i>		-7.6%	4.2%	18.3%	-.-%	
<i>Value Added</i>		-3.3%	-8.6%	-0.1%	-.-%	
Hermes U.K. Small Cap	<b>0.1</b>	-13.6%	-.-%	-.-%	-.-%	12/07
<i>Custom Benchmark</i>		-11.9%	-.-%	-.-%	-.-%	
<i>Value Added</i>		-1.7%	-.-%	-.-%	-.-%	
Knight Vinke	<b>0.2</b>	-0.2%	9.7%	26.8%	-.-%	12/03
<i>Custom Benchmark</i>		-8.6%	1.7%	16.3%	-.-%	
<i>Value Added</i>		8.4%	8.0%	10.5%	-.-%	
Knight Vinke Internal Partners	<b>0.2</b>	-5.9%	10.2%	-.-%	-.-%	3/06
<i>Custom Benchmark</i>		-8.6%	1.7%	-.-%	-.-%	
<i>Value Added</i>		2.7%	8.5%	-.-%	-.-%	
SPARX Value Creation	<b>0.3</b>	-23.0%	-38.3%	-9.5%	10.3%	3/03
<i>Custom Benchmark</i>		-17.8%	-29.2%	0.9%	9.4%	
<i>Value Added</i>		-5.2%	-9.1%	-10.4%	0.9%	
Taiyo Fund	<b>0.7</b>	-3.3%	-4.4%	13.6%	-.-%	9/03
<i>Custom Benchmark</i>		-17.8%	-29.2%	0.9%	-.-%	
<i>Value Added</i>		14.5%	24.8%	12.7%	-.-%	
Taiyo Pearl Fund	<b>0.2</b>	-11.4%	-.-%	-.-%	-.-%	12/07
<i>Custom Benchmark</i>		0.0%	-.-%	-.-%	-.-%	
<i>Value Added</i>		-11.4%	-.-%	-.-%	-.-%	



## External Manager Performance Review (continued)

### Fixed Income – High Yield

	<b>Market Value</b>	<b>Qtr</b>	<b>1 Year</b>	<b>3 Year</b>	<b>5 Year</b>	<b>10 Year</b>
<b>Total Fixed Income</b>	<b>64.7</b>	<b>1.8%</b>	<b>8.3%</b>	<b>6.1%</b>	<b>6.7%</b>	<b>6.9%</b>
<i>Fixed Income Policy Index</i>		2.7%	8.9%	5.7%	5.7%	6.6%
<b>External High Yield</b>	<b>1.1</b>	<b>-6.0%</b>	<b>-6.6%</b>	<b>4.9%</b>	<b>9.5%</b>	<b>-.-%</b>
Highland Capital Distressed Fund	<b>0.1</b>	-1.5%	-2.9%	11.2%	20.1%	-.-%
<i>Custom Benchmark</i>		-3.0%	-3.4%	4.6%	6.6%	-.-%
<i>Value Added</i>		1.5%	0.5%	6.6%	13.5%	-.-%
Highland CLN	<b>0.6</b>	-7.5%	-.-%	-.-%	-.-%	-.-%
<i>Custom Benchmark</i>		-3.0%	-.-%	-.-%	-.-%	-.-%
<i>Value Added</i>		-4.5%	-.-%	-.-%	-.-%	-.-%
Nomura	<b>0.3</b>	-4.9%	-6.7%	3.7%	8.0%	-.-%
<i>Custom Benchmark</i>		-3.0%	-3.4%	4.6%	8.3%	-.-%
<i>Value Added</i>		-1.9%	-3.3%	-0.9%	-0.3%	-.-%
PIMCO	<b>0.3</b>	-3.2%	-2.8%	4.9%	8.7%	-.-%
<i>Custom Benchmark</i>		-3.0%	-3.4%	4.6%	8.3%	-.-%
<i>Value Added</i>		-0.2%	0.6%	0.3%	0.4%	-.-%

### Fixed Income – MDP

	<b>Market Value</b>	<b>Qtr</b>	<b>1 Year</b>	<b>3 Year</b>	<b>5 Year</b>	<b>10 Year</b>
<b>DF Manager Development</b>	0.2	2.8%	8.4%	5.8%	5.4%	-.-%
LM Capital	0.2	2.8%	8.4%	5.8%	5.1%	-.-%
<i>Custom Benchmark</i>		2.6%	8.4%	5.8%	4.8%	-.-%
<i>Value Added</i>		0.2%	0.0%	0.0%	0.3%	-.-%
<i>Performance Objective</i>		2.9%	9.4%	6.8%	5.8%	-.-%
<i>Value Added</i>		-0.1%	-1.0%	-1.0%	-0.7%	-.-%





**External Manager Performance Review (continued)**  
**Fixed Income – External International**

	<b>Market Value</b>	<b>Qtr</b>	<b>1 Year</b>	<b>3 Year</b>	<b>5 Year</b>	<b>10 Year</b>
<b>Total Fixed Income</b>	<b>64.7</b>	<b>1.8%</b>	<b>8.3%</b>	<b>6.1%</b>	<b>6.7%</b>	<b>6.9%</b>
<i>Fixed Income Policy Index</i>		<b>2.7%</b>	<b>8.9%</b>	<b>5.7%</b>	<b>5.7%</b>	<b>6.6%</b>
<b>International Fixed Income</b>	<b>5.7</b>	<b>10.3%</b>	<b>21.0%</b>	<b>7.1%</b>	<b>9.1%</b>	<b>6.8%</b>
Alliance Bernstein	<b>1.3</b>	8.9%	19.6%	-.%	-.%	-.%
<i>Custom Benchmark</i>		10.4%	21.1%	-.%	-.%	-.%
<i>Value Added</i>		-1.5%	-1.5%	-.%	-.%	-.%
Baring	<b>0.1</b>	10.8%	21.8%	6.9%	8.7%	6.5%
<i>Custom Benchmark</i>		10.4%	21.1%	7.3%	8.9%	7.3%
<i>Value Added</i>		0.4%	0.7%	-0.4%	-0.2%	-0.8%
<i>Performance Objective</i>		10.8%	22.6%	8.8%	10.4%	8.8%
<i>Value Added</i>		0.0%	-0.8%	-1.9%	-1.7%	-2.3%
Brandywine	<b>0.5</b>	4.8%	14.4%	-.%	-.%	-.%
<i>Custom Benchmark</i>		10.4%	21.1%	-.%	-.%	-.%
<i>Value Added</i>		-5.6%	-6.7%	-.%	-.%	-.%
Mondrian	<b>1.2</b>	12.4%	25.1%	-.%	-.%	-.%
<i>Custom Benchmark</i>		10.4%	21.1%	-.%	-.%	-.%
<i>Value Added</i>		2.0%	4.0%	-.%	-.%	-.%
PIMCO	<b>1.3</b>	9.6%	20.6%	-.%	-.%	-.%
<i>Custom Benchmark</i>		10.4%	21.1%	-.%	-.%	-.%
<i>Value Added</i>		-0.8%	-0.5%	-.%	-.%	-.%
Rogge	<b>1.3</b>	13.0%	25.0%	8.4%	10.0%	-.%
<i>Custom Benchmark</i>		10.4%	21.1%	7.3%	8.9%	-.%
<i>Value Added</i>		2.6%	3.9%	1.1%	1.1%	-.%
Western	<b>0.0</b>	9.2%	17.3%	6.3%	8.7%	-.%
<i>Custom Benchmark</i>		10.4%	21.1%	7.3%	8.9%	-.%
<i>Value Added</i>		-1.2%	-3.8%	-1.0%	-0.2%	-.%



**External Manager Performance Review (continued)**  
**Fixed Income - Special Investments**

	<b>Market Value</b>	<b>Qtr</b>	<b>1 Year</b>	<b>3 Year</b>	<b>5 Year</b>	<b>10 Year</b>
<b>Special Investments</b>	<b>1.3</b>	<b>2.4%</b>	<b>7.4%</b>	<b>6.2%</b>	<b>5.3%</b>	<b>5.8%</b>
Equitable CCMF	0.0	1.8%	8.2%	9.0%	8.5%	8.2%
MHLP-BRS	1.1	2.3%	7.0%	6.2%	5.2%	-.%
U.L.L.I. Co.	0.0	1.9%	26.9%	12.1%	9.5%	9.5%



## Manager Monitoring

Wilshire will rigorously monitor each of CalPERS' externally-managed investment managers and provide quarterly updates and issues in the Executive Summary.

### **Domestic Equity**

#### Shamrock

- The manager has underperformed its benchmark for all time periods. This is a very concentrated portfolio which Wilshire monitors each quarter. Additionally, a key personnel departure was recently announced and a replacement search is underway. Wilshire will continue to monitor the manager closely.

#### Atlantic

- This enhanced index manager has underperformed its benchmark for all time periods. This has been a tough environment for enhanced managers. Wilshire will continue to monitor the portfolio.

#### Smith Breeden

- This enhanced index manager has underperformed its benchmark for all time periods. Wilshire will continue to monitor the portfolio.

#### WAMCO

- The manager has underperformed its benchmark and performance objective for all time periods. This is an enhanced manager that uses fixed income securities to add alpha to a domestic equity overlay. WAMCO's focus on the spread sectors (mortgages and corporate bonds) have hurt performance recently as treasuries have outperformed and spreads have widened. Wilshire will continue to monitor the manager closely.

### **Int'l Equity**

#### Genesis

- This emerging market manager lags its benchmark for all time periods. The manager has had poor stock selection. Wilshire will continue to monitor the manager especially since the emerging markets policy was recently changed.

#### Grantham Mayo

- The manager has lagged its benchmark for all periods with the exception of the since inception period. The manager has had poor sector and country selection. Wilshire will continue to monitor the manager.



**CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM  
CORPORATE GOVERNANCE INVESTMENT PROGRAM**

**Relational Investors**

First Quarter 2008

**Investment Type:** U.S. Corporate Governance Fund

**Inception Date:** March 1996

**Capital Commitment:** \$1 billion

	<u><b>Quarter</b></u>	<u><b>Since Inception</b></u>
<b>Contributed Capital:</b>	\$ 1.6 million	\$3,200.5 million
<b>Distributed Capital:</b>	\$104.5 million	\$2,874.7 million

**Market Value (3/31/08):** \$ 847.7 million

**Investment Strategy:**

Relational Investors employs a corporate governance strategy aimed at unlocking intrinsic value in underperforming, publicly traded, U.S. companies. When compared to the broader market and industry peers, these companies typically exhibit inferior performance in one or more of the following areas: operations, financial structure, long-term strategy, corporate governance policies or management. Each investment represents a significant percentage of a particular company's outstanding shares, generally 3-10%. Relational Investors then seeks to maximize investment value by initiating contact with the company's management, board of directors and other shareholders to facilitate change.

**Summary Analysis:**

***Number of Investments: 8***

1. Organization: Jim Hearty, Managing Director, left the firm and no longer holds an equity interest in Relational; his responsibilities have been assumed by Frank Hurst and John Marshall. Relational had several personnel additions: John Marshall (Director – Product Specialist and Marketing & Client Service), Rebecca Milnes (Associate Analyst), Shere Martinez (Marketing Associate), Breanna Walulik (A/P Accountant), and Jennifer Rafferty (Fund Accountant).
2. Relational continues development of their new middle market fund.

**Philosophy/Process:** No material changes.

**CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM  
CORPORATE GOVERNANCE INVESTMENT PROGRAM**

**Relational Investors**

First Quarter 2008

**Performance Analysis:**

In this broadly negative first quarter of 2008, Relational's portfolio return of -11.8% underperformed its benchmark, the S&P 500 Index, by 2.3%. After successful engagements with both Baxter and Prudential, Relational has begun exiting these strategies. The second largest position, National Semiconductor, improved revenues but suffered due to the slowing cyclical demand experienced by the semiconductor industry as a whole; within the next six months, Relational may exit this strategy as well. Relational continues regular dialogue with the CEOs at Sprint/Nextel, and Capital One, while working closely with the Board at Home Depot and Sovereign Bancorp. Relational is optimistic about the Unum Group as they have continue their stock repurchase plan, the focus on the penetration of the profitable small-case business, and the new enrollment system that will provide significant competitive advantage.

<b>Calendar Year Performance (%)</b>									
<b>As of 3/31/2008</b>									
	<b>YTD</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>	<b>2003</b>	<b>2002</b>	<b>2001</b>	<b>2000</b>
Relational	-11.75	-10.01	9.29	9.89	16.49	40.77	0.55	7.89	73.70
Custom S&P 500	-9.46	5.54	15.81	4.89	10.87	28.69	-22.12	-11.88	-9.12
Excess Return	-2.29	-15.55	-6.52	5.00	5.62	12.08	22.67	19.77	82.82

**CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM  
CORPORATE GOVERNANCE INVESTMENT PROGRAM**

**Hermes U.K. Focus**

First Quarter 2008

**Investment Type:** U.K. Corporate Governance Fund

**Inception Date:** November 1999

**Capital Commitment:** \$200 million

	<u><b>Quarter</b></u>	<u><b>Since Inception</b></u>
<b>Contributed Capital:</b>	\$ 0.0 million	\$ 199.9 million
<b>Distributed Capital:</b>	\$ 0.0 million	\$ 0.0 million

**Market Value (3/31/08):** \$ 325.2 million

**Investment Strategy:**

Hermes Focus Asset Management (HFAM) employs a corporate governance strategy that seeks to unlock intrinsic value in underperforming, medium-to-large capitalization, publicly traded, U.K. companies. For companies that meet their initial purchase criteria, HFAM identifies areas where value can be improved and recommends strategies for change to the board of directors and company executives. Proposed changes focus on the structure and composition of the board and management, strategic business plans and capital structure. HFAM initially expects to invest in 5-10 companies but intends to be invested in 15 companies as assets grow. Initial positions will range from 1-3% with open market purchases of common stock, however the goal is to have influence over 15-20% of a target company's outstanding shares. All cash balances will be equitized with FTSE 250 futures.

**Summary Analysis:**

***Number of Investments: 12***

Organization: Andrew Longhurst was made Chairman of the HFAM Board. Mike Bishop became Chairman of the HFAM Investment Committee. Christian Strenger was made Chairman of the HFAME Investment Committee.

Philosophy/Process: No material changes.

**Performance Analysis:**

The UK Focus Fund returned -13.3% and underperformed its benchmark by 3.7% for the quarter. The underperformance was largely due to price declines in two positions, Rentokil and Cable & Wireless, in which cases due to reduced profit expectations. Rentokil issued a profit warning that was caused by poorly executed integration of an acquired parcels business. C&W's problem was primarily poor IR, as the company had previously issued optimistic earnings expectations that could not be met. However, HFAM still believes in C&W's longer term prospect and bought in more shares.

**CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM**  
**CORPORATE GOVERNANCE INVESTMENT PROGRAM**  
**Hermes U.K. Focus**  
First Quarter 2008

**Performance Analysis (Continued):**

	Calendar Year Performance (%)							
	As of 3/31/2008							
	<b>YTD</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>	<b>2003</b>	<b>2002</b>	<b>2001</b>
Hermes U.K.	-13.32	-9.37	43.99	0.58	17.72	66.65	-25.72	-6.57
FTSE All Share	-9.67	5.32	16.75	13.94	21.02	34.39	-14.47	-15.52
Excess Return	-3.65	-14.69	27.24	-13.36	-3.30	32.26	-11.25	8.95

**CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM**  
**CORPORATE GOVERNANCE INVESTMENT PROGRAM**  
**SPARX Asset Management**  
First Quarter 2008

**Investment Type:** Japanese Corporate Governance Fund

**Inception Date:** January 2003

**Capital Commitment:** \$300 million

	<u><b>Quarter</b></u>	<u><b>Since Inception</b></u>
<b>Contributed Capital:</b>	\$ 1.5 million	\$ 829.0 million
<b>Distributed Capital:</b>	\$ 13.3 million	\$ 548.8 million

**Market Value (3/31/08):** \$ 312.4 million

**Investment Strategy:**

The SPARX Value Creation Fund targets underperforming or undervalued companies based in Japan with a market capitalization between \$300 million and \$3 billion. The SPARX Research Platform, which is a research team of ten analysts, will use quantitative and qualitative screens to identify approximately 40 target companies from the SPARX database of 2,500 companies. The Value Creation group then will conduct in-depth research on these target companies by initiating contact with company management. These companies typically exhibit one or more of the following traits: low valuation, potential for balance sheet optimization, or potential for profit improvement. The fund looks to invest in 5-10 companies per year with 5-20% of net asset value dedicated to each investment. It will actively engage and work in partnership with management or major shareholders to unlock the investment's value over a specified period of time. The performance objective for the fund is the Topix Index + 150 basis points.

**Summary Analysis:**

***Number of Investments: 7***

Organization: No significant personnel turnover during this quarter. The Concentrated Investment Strategy brought in two new research analysts, while the Long-Short Strategy lost one analyst. The VCI strategy also saw \$12 million in net redemption during the quarter.

Philosophy/Process: No material changes.

**Performance Analysis:**

The Japan Value Creation Investment Strategy returned -23.0% for the quarter and underperformed the TOPIX (-17.8%). Most of VCI's holdings continued to be adversely impacted by macro factors and saw sizable depreciation. The fund's real estate company and printing material manufacturer were the worst performers during the quarter and lead the decline, hurt by a slow in domestic housing start and economic slowdown in North America and Europe. In the mean time, SPARX continued to focus immensely on the integration of Japan and Revolution, which combined account for 25% of total fund assets.



**CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM**  
**CORPORATE GOVERNANCE INVESTMENT PROGRAM**  
**SPARX Asset Management**  
First Quarter 2008

**Performance Analysis (Continued):**

	Calendar Year Performance (%)				
	As of 3/31/2008				
	YTD	2007	2006	2005	2004
SPARX	-23.04	-22.82	-2.59	42.28	19.10
Topix Index	-17.80	-12.22	1.90	44.29	11.23
Excess Return	-5.24	-10.60	-4.49	-2.01	7.87

**CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM  
CORPORATE GOVERNANCE INVESTMENT PROGRAM**

**Hermes Europe Focus**

First Quarter 2008

**Investment Type:** European Corporate Governance Fund

**Inception Date:** August 2003

**Capital Commitment:** \$100 million

	<u>Quarter</u>	<u>Since Inception</u>
<b>Contributed Capital:</b>	\$ 0.0 million	\$ 100.0 million
<b>Distributed Capital:</b>	\$ 0.0 million	\$ 0.0 million

**Market Value (3/31/08):** \$ 254.0 million

**Investment Strategy:**

Hermes Focus Asset Management (HFAM) employs a corporate governance strategy that seeks to unlock intrinsic value in underperforming, medium-to-large capitalization, publicly traded, European ex-U.K. companies. For companies that meet their initial purchase criteria, HFAM identifies areas where value can be improved and recommends strategies for change to the board of directors and company executives. Proposed changes focus on the structure and composition of the board and management, strategic business plans and capital structure. HFAM initially expects to invest in 5-10 companies but intends to be invested in 15 companies as assets grow. Initial positions will range from 1-3% with open market purchases of common stock, however the goal is to have influence over 15-20% of a target company's outstanding shares. All cash balances will be equitized with FTSE Europe ex-U.K. futures.

**Summary Analysis:**

***Number of Investments: 19***

Organization: Andrew Longhurst was made Chairman of the HFAM Board. Mike Bishop became Chairman of the HFAM Investment Committee. Christian Strenger was made Chairman of the HFAME Investment Committee. There was also one addition and one departure in the European team.

Philosophy/Process: No material changes.

**Performance Analysis:**

The European Focus Fund returned -10.9% for the 1Q and underperformed its benchmark by approximately 3.3%. Aareal Bank, Freenet, Alcatel and Banco Espirito Santo were the main performance detractors for this period. Among them, most notable being Freenet, as the company's broadband unit continue to incur large loss and degrade the company's overall financial health. Through several series of discussions involving HFAME, Freenet's management and some of its shareholders, it was ultimately decided that the company will put its broadband unit up for sale.

**CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM**  
**CORPORATE GOVERNANCE INVESTMENT PROGRAM**  
**Hermes Europe Focus**  
First Quarter 2008

**Performance Analysis (Continued):**

Calendar Year Performance (%)					
As of 3/31/2008					
	YTD	2007	2006	2005	2004
Hermes Europe	-10.92	12.65	48.49	17.08	32.89
FTSE Europe ex-U.K.	-7.58	17.70	36.95	10.95	22.07
Excess Return	-3.34	-5.05	11.54	6.13	10.82

**CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM**  
**CORPORATE GOVERNANCE INVESTMENT PROGRAM**  
**Hermes UK Small Companies Focus Fund**  
First Quarter 2008

**Investment Type:** European Corporate Governance Fund

**Inception Date:** October 2008

**Capital Commitment:** \$60 million

	<u>Quarter</u>	<u>Since Inception</u>
<b>Contributed Capital:</b>	\$ 0.0 million	\$ 59.9 million
<b>Distributed Capital:</b>	\$ 0.0 million	\$ 0.0 million

**Market Value (3/31/08):** \$ 45.1 million

**Investment Strategy:**

HFAM's strategy is to add value by investing in smaller UK companies that have a significant gap between the current trading price of the company versus its actual value if it were managed properly. HFAM seeks to narrow this value gap by improving the corporate governance, Board members and senior management, capital structure, and overall strategy of these underperforming companies. The Fund expects to have a concentrated portfolio of 12 to 20 companies, with a goal out-performing the FTSE Small Cap (ex-Investment Trusts) Total Return Index by 5% on a three year rolling basis.

**Summary Analysis:**

***Number of Investments: 16***

Organization: The UK Small Co. Focus Fund brought in Jeremy Le Sueur as Director in January 2008 to strengthen the team's research capabilities. Rod Kent became the Chairman of the BT Pension Scheme on January 1<sup>st</sup>, 2008.

Philosophy/Process: No material changes.

**Performance Analysis:**

The UK Small Companies Focus Fund II returned -13.6% and underperformed its benchmark by 1.7% in 1Q. The portfolio saw significant activities during the quarter. Poor stock selection, such as London Scottish Bank, continued to be the primary performance detractor. The stock collapsed in 1Q due to increased bad loans and the need of capital infusion to meet reserve levels required by regulation. After carefully analyzing the situation, UKSCFF has decided to take the loss and exited the position.

**CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM**  
**CORPORATE GOVERNANCE INVESTMENT PROGRAM**  
**Hermes UK Small Companies Focus Fund**  
First Quarter 2008

**Performance Analysis (Continued):**

Calendar Year Performance (%) As of 3/31/2008		
	YTD	2007
Hermes UK Small Co. Focus	-13.57	-12.19
FTSE Small Cap ex-Inv. Trusts	-11.91	-13.85
Excess Return	-1.66	1.66

**CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM  
CORPORATE GOVERNANCE INVESTMENT PROGRAM**

**Taiyo Pacific Partners/WL Ross**

First Quarter 2008

**Investment Type:** Japanese Corporate Governance Fund

**Inception Date:** July 2003

**Capital Commitment:** \$500 million

	<u>Quarter</u>	<u>Since Inception</u>
<b>Contributed Capital:</b>	\$ 52.3 million	\$ 502.5 million
<b>Distributed Capital:</b>	\$ 0.0 million	\$ 0.0 million

**Market Value (3/31/08):** \$ 717.3 million

**Investment Strategy:**

Taiyo Pacific Partners/WL Ross believe that public equity investors in Japan can be rewarded with superior returns by investing in companies that will implement corporate governance improvements. The investment strategy has two elements. First, identify undervalued stocks utilizing Taiyo's asset value and earnings potential analysis. Second, create valuation improvements by means of a three-phase corporate governance strategy. The three phases are: improving transparency and disclosure, improving corporate profitability, and improving shareholder value. Taiyo proposes to use its own proprietary database to identify target companies. Once identification is made, Taiyo's strategy is to be a constructive shareholder with those companies willing to make corporate governance improvements.

**Summary Analysis:**

***Number of Investments: 20***

Organization: No new hires. Ami Okamoto, Associate, left Taiyo and returned to Japan for personal reasons. In April, Taiyo launched the Cypress Fund, a new corporate governance fund with large-cap focus, and is expected to receive up to \$400 million commitments during 2Q.

Philosophy/Process: No material changes.

**Performance Analysis:**

The Taiyo Fund generated a return of -3.3% and outperformed relative to the TOPIX, which returned -17.8%, for the quarter. Better performance by Taiyo's top three holdings (particularly commercial printing company Nissha and pharmaceutical outfit Miraca), which accounted for 35% of the fund, helped compensate for poor performance from some of the newly established small electronic manufacturing/leisure positions and contributed to this quarter's relative outperformance. In the mean time, Taiyo is also working closely with Roland DG, the fund's main underperforming investment, on potentially optimizing its capital structure to improve operating efficiency.

**CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM**  
**CORPORATE GOVERNANCE INVESTMENT PROGRAM**  
**Taiyo Pacific Partners/WL Ross**  
First Quarter 2008

**Performance Analysis (Continued):**

Calendar Year Performance (%)					
As of 3/31/2008					
	YTD	2007	2006	2005	2004
Taiyo	-3.33	-3.91	9.08	56.46	27.03
Topix Index	-17.8	-12.22	1.90	44.29	11.23
Excess Return	<i>14.47</i>	<i>8.31</i>	<i>7.18</i>	<i>12.17</i>	<i>15.80</i>

**CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM  
CORPORATE GOVERNANCE INVESTMENT PROGRAM**

**Taiyo Pearl Fund/WL Ross**

First Quarter 2008

**Investment Type:** Japanese Corporate Governance Fund

**Inception Date:** October 2007

**Capital Commitment:** \$200 million

	<u><b>Quarter</b></u>	<u><b>Since Inception</b></u>
<b>Contributed Capital:</b>	\$ 200.0 million	\$ 200.0 million
<b>Distributed Capital:</b>	\$ 0.0 million	\$ 0.0 million

**Market Value (3/31/08):** \$ 187.7 million

**Investment Strategy:**

TPF believes that responsible shareholder influence can unlock the value in Japanese companies, resulting in significant out performance for shareholders. TPF will utilize a friendly relational approach in working with Japanese companies in both public and private equity space to create and/or unlock value. TPF will focus on companies with a market cap of \$50 ~ \$500million. The investment approach will include 1) activist investing in public companies including taking a controlling stake where appropriate (5% or greater in Japanese equities), 2) active investing in attractive public companies (where they will not take a controlling stake holding less than 5%) and 3) active investing in private companies. Taiyo is seeking to achieve a 15% to 20% annualized return on an absolute basis. The portfolio will average about 30 stocks at a time and several private equity transactions.

**Summary Analysis:**

***Number of Investments: 18***

Organization: No new hires. Ami Okamoto, Associate, left Taiyo and returned to Japan for personal reasons. In April, Taiyo launched the Cypress Fund, a new corporate governance fund with large-cap focus, and is expected to receive up to \$400 million commitments during 2Q.

Philosophy/Process: No material changes.

**Performance Analysis:**

For the quarter ended March 31, 2008, the Pearl Fund generated a return of -11.4% and outperformed relative to the TOPIX's return of -17.8%. While several of the fund's large Wholesale/Trade companies, which combined for approx. 28% of the portfolio, produced disappointing returns during the quarter, the investments in building contractor and food producer performed well and were able to help boost the Pearl Fund's relative performance.



**CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM**  
**CORPORATE GOVERNANCE INVESTMENT PROGRAM**  
**Taiyo Pearl Fund/WL Ross**  
First Quarter 2008

**Performance Analysis (Continued):**

Calendar Year Performance (%) As of 3/31/2008	
	YTD
Taiyo Pearl Fund	-11.36
Absolute Return of 0%	0.00
Excess Return	-11.36

**CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM  
CORPORATE GOVERNANCE INVESTMENT PROGRAM**

**Knight Vinke**  
First Quarter 2008

**Investment Type:** European Corporate Governance Fund

**Inception Date:** September 2003

**Capital Commitment:** \$300 million

	<u><b>Quarter</b></u>	<u><b>Since Inception</b></u>
<b>Contributed Capital:</b>	\$ 46.6 million	\$ 548.5 million
<b>Distributed Capital:</b>	\$ 0.0 million	\$ 481.3 million

**Market Value (3/31/08):** \$ 209.6 million

**Investment Strategy:**

Knight Vinke believes that in the absence of effective corporate governance and a truly independent board, the separation of ownership and management can create the opportunity for management to act in its own self interest rather than that of the shareholders. The strategy looks to identify underperforming stocks of companies that are fundamentally strong where redress of the underperformance is possible in a reasonable amount of time. The firm believes that detailed fundamental analysis can identify underperforming companies that have strong operating businesses, but are in need of a corporate finance solution to a factor or factors that specifically is depressing the share price. To identify such companies the firm uses several sources: its own screening process through market information services such as Bloomberg, their own industry knowledge, outside brokers, other institutional shareholders, other corporations, industry manager who may have recently retired, or corporate finance professionals.

**Summary Analysis:**

***Number of Investments: 8***

Organization: KV added a mid-level research analyst to its team. KV re-opened its Special Situation Partners in February to new investors and subsequently raised €19.2 million during the quarter

Philosophy/Process: No material changes.

**Performance Analysis:**

Knight Vinke significantly outperformed the FTSE All World Europe Index for the first quarter as the fund returned -0.2% compared to -8.6% versus the benchmark return in USD but is still underperforming over a one year period. The position in HSBC contributed positively to performance over the past quarter as KV went public with its activist agenda. KV continues to press HSBC to spin-off its Asian business, sale or de-merge the US sub-prime business, and merge or otherwise put excess capital to work effectively. KV continues to maintain a significant amount of dry powder but started to invest in a few new names.

**CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM  
CORPORATE GOVERNANCE INVESTMENT PROGRAM**  
**Knight Vinke**  
First Quarter 2008

**Performance Analysis (Continued):**

	Calendar Year Performance (%)				
	As of 3/31/2008				
	YTD	2007	2006	2005	2004
Knight Vinke	-0.23	7.42	51.12	28.08	24.73
FTSE All World Europe	-8.59	15.47	35.15	10.81	21.51
Excess Return	8.36	-8.05	15.97	17.27	3.22

**CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM  
CORPORATE GOVERNANCE INVESTMENT PROGRAM**

**Shamrock Capital**

First Quarter 2008

**Investment Type:** U.S. Corporate Governance Fund

**Inception Date:** December 2004

**Capital Commitment:** \$200 million

	<u>Quarter</u>	<u>Since Inception</u>
<b>Contributed Capital:</b>	\$ 0.0 million	\$ 181.5 million
<b>Distributed Capital:</b>	\$ 0.0 million	\$ 32.8 million

**Market Value (3/31/08):** \$ 128.3 million

**Investment Strategy:**

Shamrock believes that combining a deep value investment orientation with an activist shareholder approach founded upon best governance practices, results in superior returns for long-term investors. They seek to find underperforming but fundamentally sound businesses, where they can substantially improve shareholder value with their application of good governance practice. They choose to look at companies they can purchase at a significant discount (<40%) to the underlying value and find free cash flow available to owners that typically exceed 10%. Once these criteria are met, Shamrock will only invest if they believe they can persuade the Board and/or management to believe in their activist strategy to make fundamental changes to the governance structure and business. After investing, persistence and careful monitoring is the key to unlocking value.

**Summary Analysis:**

***Number of Investments: 12***

Organization: Shamrock added two mid-level individuals to the investment team, and brought in two additional individuals.

Philosophy/Process: No material changes.

**Performance Analysis:**

Since inception through March 31, 2008, Shamrock's time-weighted performance has trailed its benchmark and performance for the recent quarter was significantly below the benchmark. However, Shamrock reported that its suggestions are being adapted by the companies and performance should pick-up. For the first quarter, Shamrock's performance was hindered by a few of its holdings: iPass, Jackson Hewitt, and Reddy Ice. Jackson's performance was hurt by weaker than expected same-store sales during the recent tax season. Reddy Ice was a target of an on-going Department of Justice investigation which is looking at the packaged ice industry. iPass sales continued to be weak and Shamrock has stepped up their pressure by putting Stanley Gold, Shamrock's CEO, on the board. Shamrock is in the process of filing a non-disclosure with Jackson and also went on Reddy Ice's board.

**CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM**  
**CORPORATE GOVERNANCE INVESTMENT PROGRAM**  
**Shamrock Capital**  
First Quarter 2008

**Performance Analysis (Continued):**

Calendar Year Performance (%) As of 3/31/2008			
	YTD	2007	2006
Shamrock	-14.81	-9.39	1.49
Russell 2000	-9.90	-1.57	18.35
Excess Return	-4.91	-7.82	-16.86

**CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM**  
**CORPORATE GOVERNANCE INVESTMENT PROGRAM**  
**Blum Strategic Partners III**  
First Quarter 2008

**Investment Type:** U.S. Corporate Governance Fund

**Inception Date:** July 2005

**Capital Commitment:** \$200 million

	<u>Quarter</u>	<u>Since Inception</u>
<b>Contributed Capital:</b>	\$ 0.5 million	\$ 122.2 million
<b>Distributed Capital:</b>	\$ 0.0 million	\$ 31.2 million

**Market Value (3/31/08):** \$ 141.8 million

**Investment Strategy:**

Blum believes that its private equity investment approach executed in the small- and mid-cap sectors of the public market results in superior returns for long-term investors. Blum seeks to find undervalued “good businesses”, where it can substantially improve shareholder value by working in partnership with management and Boards of Directors to implement value-enhancing strategies. Blum chooses to look at companies with a 10% cash-on-cash yield combined with a projected 10% growth rate in the free cash flow. Once the criteria are met, Blum will only invest if it believes that management and the Board will be receptive to its suggestions. The benchmark for Blum is an absolute return of 8% per annum.

**Summary Analysis:**

***Number of Investments: 21***

Organization: There were no major personnel turnovers in 1Q. Fund-raising activities for Fund IV is on-going.

Philosophy/Process: No material changes.

**Performance Analysis:**

The Strategic Partners Fund III returned -19.4% for the 1Q and underperformed its benchmark, 8% Absolute Return. Primary drag on fund performance was MoneyGram and Career Education, as shares of the money transfer business and for-profit education provider declined 88% and 49%, respectively. While Blum is still exploring any remaining alternatives with MoneyGram, the company whose stock was pummeled due to its subprime-tainted fixed income investment portfolio, the fund recognizes that the ultimate losses in this investment will likely amount to 6% of committed capital. In the mean time, Blum has renewed its focus on several other newly identified opportunities, including building up larger positions in Career Education and ITT, both of which Blum deemed as strategic investments that are undervalued due to market overreaction.

**CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM**  
**CORPORATE GOVERNANCE INVESTMENT PROGRAM**  
**Blum Strategic Partners III**  
First Quarter 2008

**Performance Analysis (Continued):**

Calendar Year Performance (%)			
As of 3/31/2008			
	YTD	2007	2006
Blum III	-19.38	3.92	9.46
8% Absolute Return	1.94	8.00	8.00
Excess Return	-21.32	-4.08	1.46

**CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM**  
**CORPORATE GOVERNANCE INVESTMENT PROGRAM**  
**Blum Strategic Partners IV**  
First Quarter 2008

**Investment Type:** U.S. Corporate Governance Fund

**Inception Date:** November 2008

**Capital Commitment:** \$300 million

	<u><b>Quarter</b></u>	<u><b>Since Inception</b></u>
<b>Contributed Capital:</b>	\$ 86.7 million	\$ 115.9 million
<b>Distributed Capital:</b>	\$ 0.0 million	\$ 0.0 million

**Market Value (3/31/08):** \$ 89.0 million

**Investment Strategy:**

Blum believes that its private equity investment approach executed in the small- and mid-cap sectors of the public market results in superior returns for long-term investors. Blum seeks to find undervalued “good businesses”, where it can substantially improve shareholder value by working in partnership with management and Boards of Directors to implement value-enhancing strategies. Blum chooses to look at companies with a 10% cash-on-cash yield combined with a projected 10% growth rate in the free cash flow. Once the criteria are met, Blum will only invest if it believes that management and the Board will be receptive to its suggestions. The benchmark for Blum is an absolute return of 8% per annum.

**Summary Analysis:**

***Number of Investments: 10***

**Organization:** There were no major personnel turnovers in 1Q. Fund-raising activities for Fund IV is on-going.

**Philosophy/Process:** No material changes.

**Performance Analysis:**

The Strategic Partners Fund IV returned -25.1% for the first quarter of 2008. Fund performance was largely impacted by the loss stemming from MoneyGram and Career Education. However, part of this underperformance can also be attributed to the J-curve effect, as Blum is still in the very early stage of building out Fund IV. The fund deployed approximately \$300 million during the quarter to newly identified investments and will continue to do so as market condition permits.



**CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM**  
**CORPORATE GOVERNANCE INVESTMENT PROGRAM**  
**Blum Strategic Partners IV**  
First Quarter 2008

**Performance Analysis (Continued):**

<b>Calendar Year Performance (%)</b>	
<b>As of 3/31/2008</b>	
	<b>YTD</b>
Blum IV	-25.14
8% Absolute Return	1.94
Excess Return	-27.08

**CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM  
CORPORATE GOVERNANCE INVESTMENT PROGRAM**

**New Mountain Vantage**

First Quarter 2008

**Investment Type:** U.S. Corporate Governance Fund

**Inception Date:** January 2006

**Capital Commitment:** \$200 million

	<u><b>Quarter</b></u>	<u><b>Since Inception</b></u>
<b>Contributed Capital:</b>	\$ 0.0 million	\$ 200.0 million
<b>Distributed Capital:</b>	\$ 0.0 million	\$ 0.0 million

**Market Value (3/31/08):** \$ 198.7 million

**Investment Strategy:**

New Mountain's strategy is to proactively identify deeply undervalued companies through intensive research and then to unlock the value of these companies by working with management to improve the businesses for the benefit of all shareholders. New Mountain will pursue this value-added strategy for the many situations where a negotiated purchase of control of a public company is not available, but where New Mountain can acquire public shares in the open market and use its style of active ownership to increase the value of the firm's stock. They begin with a "Top-Down" approach, looking at sectors that have stable demands with high growth potentials. They seek companies where barriers to new entry are high, companies have pricing power, and where free cash flow generation characteristics are strong.

**Summary Analysis:**

***Number of Investments: 18***

Organization: No changes to report for this period.

Philosophy/Process: No material changes.

**Performance Analysis:**

New Mountain outperformed against its index, the S&P 500, for the quarter as the majority of its stocks outperformed. New Mountain still spent the majority of its time and resources on National Fuel as it is now on the board and looking to create shareholder value. New Mountain believes its thesis is on-track for National Fuel and expects to see the company's stock price increase in the near future. New Mountain bought into two new names (Metavante and CACI) as New Mountain took advantage of the volatile stock market.

**CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM**  
**CORPORATE GOVERNANCE INVESTMENT PROGRAM**  
**New Mountain Vantage**  
First Quarter 2008

**Performance Analysis (Continued):**

Calendar Year Performance (%)			
As of 3/31/2008			
	YTD	2007	2006
New Moutain	-5.08	-2.05	
S&P 500	-9.44	5.49	
Excess Return	4.36	-7.54	N.A

**CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM  
CORPORATE GOVERNANCE INVESTMENT PROGRAM**

**Breeden Partners**

First Quarter 2008

**Investment Type:** U.S. Corporate Governance Fund

**Inception Date:** June 2006

**Capital Commitment:** \$500 million

	<u><b>Quarter</b></u>	<u><b>Since Inception</b></u>
<b>Contributed Capital:</b>	\$ 59.4 million	\$ 607.9 million
<b>Distributed Capital:</b>	\$ 0.0 million	\$ 123.5 million

**Market Value (3/31/08):** \$ 472.9 million

**Investment Strategy:**

Breeden's philosophy is to invest in US companies that are experiencing underperformance and diminished valuation due to correctable problem in policy and governance. The Fund will target mid-to-large-cap companies ranging from \$500 million to \$10 billion in market capitalization. The portfolio will be concentrated and will typically hold 8 to 12 positions. The objective of the Fund is to outperform the S&P 500 Index by 10% over the long-term.

**Summary Analysis:**

***Number of Investments: 10***

Organization: Michael Keating joined as a senior research analyst.

Philosophy/Process: No material changes.

**Performance Analysis:**

Breeden's performance significantly outperformed against the S&P 500 (0.96% for the manger versus -9.44% for the index). Breeden is making steady progress with each of their holdings of their three largest positions, Breeden is on the Board of two (H&R Block, Zale) while Hillenbrand has been actively and positively responding to Breeden. Hillenbrand, the largest holding, split its hospital bed business from the casket business in March 2008 (the scheduled February 2008 split was delayed by the SEC). H&R Block sold off its mortgage business to WL Ross and is considering what to do with its other brokerage division. Richard Breeden has been on the board for a quarter and is also concentrating on the following issues: strategy, aggressive cost-cutting, and focusing on their core business. Breeden waits to see what Steris' new CEO decides to do with European business and also the day-to-day operations on the company. Breeden indicates that it will continue to look for attractive opportunities in the small/small-mid cap space to build out its portfolio.

**CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM  
CORPORATE GOVERNANCE INVESTMENT PROGRAM**

**Breeden Partners**  
First Quarter 2008

**Performance Analysis (continued):**

Calendar Year Performance (%)			
As of 3/31/2008			
	YTD	2007	2006
Breeden Partners	0.96	-4.28	
S&P 500	-9.44	5.49	
Excess Return	10.40	-9.77	N.A

**CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM  
CORPORATE GOVERNANCE INVESTMENT PROGRAM**

**Governance for Owners**

First Quarter 2008

**Investment Type:** European Corporate Governance Fund

**Inception Date:** October 2006

**Capital Commitment:** \$300 million

	<u>Quarter</u>	<u>Since Inception</u>
<b>Contributed Capital:</b>	\$ 100.5 million	\$ 300.1 million
<b>Distributed Capital:</b>	\$ 0.0 million	\$ 0.0 million

**Market Value (3/31/08):** \$ 283.9 million

**Investment Strategy:**

GO's philosophy is to invest in fundamentally sound quoted companies in Europe where shares are trading at a discount due to correctable management or strategic issues. GO has a performance objective of five percentage points over the return of the FTSE Developed Europe Total Return Index on an annualized basis. The fund is expected to have 10 to 15 equity positions when it is fully invested with futures used to equitize any meaningful cash balances.

**Summary Analysis:**

***Number of Investments: 10***

Organization: GO brought in Helene Jelman, a former CIO at Arlington Capital Investors, as Investment Director in January, 2008.

Philosophy/Process: No material changes.

**Performance Analysis:**

The fund significantly under-performed the European market during the 1st quarter with a return of -20.6% versus -15.5% for the FTSE All World Europe Index. Performance was hindered by its investment in Hypo Real Estate Holdings which was hit hard by its levered balance sheet that included significant investments in CDO's. The company's stock recently appreciated in April and May which leads GO to believe the majority of the issue is behind the company. Another stock that depreciated was Capital Goods. The company was raided by the public prosecutor's office in search of records relating to tax evasion and bribery. GO sold the holding during the 1<sup>st</sup> quarter for an overall gain but the stock price lost ground during the quarter. Governance for Owners has also trailed over a one year period but performance should pick-up as GO's activist agenda is adapted.

**CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM**  
**CORPORATE GOVERNANCE INVESTMENT PROGRAM**  
**Governance for Owners**  
First Quarter 2008

**Performance Analysis (Continued):**

Calendar Year Performance (%) As of 3/31/2008		
	YTD	2007
Governance for Owners	-10.32	7.06
FTSE All World Europe	-8.59	15.47
Excess Return	-1.73	-8.41